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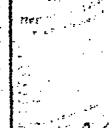
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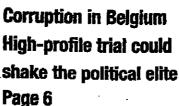
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World Business Newspaper http://www.FT.com

Corruption in Belgium





start to US trading.

Management courses How 'whispering' to horses improves your people skills Page 18

WEDNESDAY SEPTEMBER 2 1998



BARCLAYS TAKES A \$419m CHARGE AS INTERNATIONAL BANKS COUNT THE COST OF EXPOSURE TO RUSSIA

Skymark Japan's first no-frills airline takes off Companies, Page 15

FT-IT Review For big IT companies, it's research or die Separate section

Business and the Euro

Tomorrow's FT launches a weekly page examining the impact of the new European currency, the Euro, on business and finance.

WORLD NEWS

Sinn Féin pledges to make violence 'thing of the past'

Gerry Adams, president of Sinn Féin, the IRA's political wing, offered an olive branch to Northem Ireland unionists, committing his party to making violence "a" thing of the past". Page 8

Belgian political system on trial A former Nato secretary-general and the head of one of France's biggest defence groups go on trial in Brussels in a corruption case whose revelations could undermine the Belgian political establishment. Page 6

France tries islamic militants The trial of nearly 140 suspected Islamic militants accused of aiding insurgents in Algeria opened in France.

Cyprus 'confederation' rejected The Cypriot and Greek governments rejected a proposal by Rauf Denktas, the Turkish Cypriot leader, that the island's Greek and Turkish communities solve their differences by forming a confederation. Page 6

\$1bn EU aid for Bangladesh The European Union approved \$1bn in aid for the victims of flooding in Bangladesh, More than 550 people have been killed, and some 25 million displaced by the floods.

Angola closer to resuming war Angola lurched closer to a full resumption of civil war by excluding the former rebel movement Unita from parliament and govemment in Luanda. Page 6

The US government broadened its legal attack on Microsoft by accusing the world's largest software company of trying to intimidate sector giants to protect its monopoly. Page 12; US govern-ment broadens attack, Page 7

Deals 'to make the world safer' The US announced two arms control agreements with Russia that it claimed would make for a safer world. Page 3

Mexico City police shake-up Mexico City's new police chief has announced plans to reorganise the force in a policy shake-up intended to tackle the crime wave plaguing the city. Page 7

Vietnam dissident freed Vietnam's best-known dissident, Doan Viet Hoat, serving 15 years for publishing pro-democracy newsletters, was freed from Hanoi Prison and flown to Bangkok. US Officials have accepted him for resettlement.

Phillippines president prevails Joseph "Erap" Estrada, new president of the Philippines appears to have won a fight for control over the country's industrial development at Subic Bay, former US military base. Page 4

Former Financial Times editor dies Sir Gordon Newton, editor of the Financial Times for 22 years until 1972, died on Monday at the age of 90. One of the architects of today's FT, he transformed it into a world-ranking economic and political newspaper and was one of the outstanding figures of financial and economic journalism in the post-war era. Page 8

BUSINESS NEWS

Malaysia pulls ringgit out of currency markets

Malaysian prime minister, imposed currency controls to take the ringgit out of International financial markets. He also announced restrictions on currency holdings in an attempt to regain authority over his economy. Page 12; Editorial Comment, Page 11

Canal Plus, the French media group, said four top Italian soccer teams had awarded exclusive broadcasting rights to Telepiú, its 90 per cent-owned

Banque Bruxelles Lambert, Belgium's third-largest bank, announced a 15 per cent increase in first-half net profits despite an Increase in write-

Spain's mobile telephone market enabled the Telefónica group to maintain high profit growth in the first half, with a 16.2 per cent rise in consolidated net earnings to Pta98.11bn (\$640m). Page 13

Volkswagen confirmed its ambition to expand into the heavy truck business but pulled it intended to do so by buying a leading manufacturer. Page 16 Dalmier-Benz's once loss-making

12 per cent return on capital employed this year for the first time. Page 13 Ericsson, the Swedish telecoms group, has cut business ties with

Burma because of threats of a consumer boycott by US activists hostile towards the ruling military junta. Page 16 IBM is thought to have received

from telephone companies keen

to buy its \$4bn international data

network. Page 13 Hoechst of Germany suffered a ing efforts with the announce-

ment that a joint venture with Mobil had foundered. Page 13 Southcorp, the Australian wine.

demand for its wine in Europe and North America. Page 15 group which is Europe's biggest

US manufacturing slowed in August for the third month as the Asian economic crisis continued to hit exports. Page 7

KPN, the privatised Dutch telecoms group, achieved a record increase in first-half volumes. Page 16

Romania is trying to renegotiate the terms of a \$1.5bn deal with Bell Helicopter of the US. Page 4

The latest trends and data from more than 50 national markets at a clance

WORLD MARKETS

STOCK MARKET INDICES		GOLD	
New York: Lunchdon		New York: Comex	
Dow Jones Ind Av	(+154.22)	Sep)	52/5.7
	(+35.24)	Londor	
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Europe and For East			ferra .o.
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DAX	(-42.06)	Boller	
FISE 1005169.1	(-80.3)	Heur York; Lanchilme	
Milder	(+261.74)	£1.676	
US Lunchtime RATES	•	DM1.74845	
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OTHER RATES		1.578	(1.5745
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UK: 10 yr GR113.4668	(114.164)	FFT	(5.9100)
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Mahathir Mohamad, the

Italian subsidiary. Page 16

downs and provisions. Page 16

back from earlier statements that

commercial vehicles division is set to meet the group target of a

up to 12 expressions of interest

further setback to its restructur-

appliance and packaging group, posted record profits on strong

Mayr-Meinhof Karton, the Austrian cartonboard maker, is seeking a buyer for its waste paper recycling business. Page 16

World Equity Markets

whether he should move to another post or leave the group, where he has worked for 32 The board is believed to have acted following previously undisclosed cost over-runs, totalling hundreds of millions of dollars, at the Boeing factory in Wichita, Kansas, where it makes parts for its single-aisle atroraft. and the youthful-looking Mr Boeing said yesterday that it Mulally is tactful and diplomatic was sticking by Mr Condit's forecast that net earnings this year would be about \$1bn. Staff at Boeing, who could not America. recall a previous high-level sacking, were stunned by the news of Paying for 'surprises', Page 14

■ LDCs is financing bind

another turbulent session, as Monday's big fall on Wall Street M IPOs and other deats as bold was followed by a very volatile Turbulence in Russia's markets also took its toll on international

banks. Barclays, the UK bank, M Negura's provisions said it had written down its exposure to Russia to 10 per cent of Page 3 its dollar value, resulting in a £250m (\$419m) pre-tax charge. Effects on the launch of the euro

European and Asian stock mar-kets mostly finished lower, as a new month brought no respite to bourses that have fallen substan-Hong Kong banks downgraded tially since mid-July. Zurich, Frankfurt and Madrid have all lost more than 20 per cent since their peak, the conventional defi-

nition of a bear market. But concerns that Monday's 512-point fall in the Dow Jones industrial Average, which wiped out all the US market's gains for the year, might prompt a global rout proved unjustified.

There were signs that some investors were selling bonds to Tokyo gained nearly 2 per cent, move back into the equity marhelped by a stronger yen.

World stock markets suffered Page 2

Clinton insists on Moscow action plan before renewed aid

Boeing sacks chief of

civil aircraft division

President Bill Clinton said sis should not deflect the country millions in losses." from moving towards a free market economy. But he was told hv moil could lead to greater state involvement in the economy.

cials made plain to the Russian government that Washington's backing for more international financing for Russia would not be forthcoming until a plan of action had emerged.

However, the political stand-off between Russia's president and reported. parliament, which is preventing the formation of a new government, grew still sharper yesterday. President Boris Yeltsin stepped up the pressure on MPs

By Michael Skapinker, Aerospace Correspondent

defence division.

leaving.

Boeing of the US has dismissed

Ron Woodard as head of its com-

mercial aircraft division after

months of production difficulties.

He has been replaced by Alan

Mulally, head of the group's

The sacking of Mr Woodard, 55.

follows repeated rumours that he

would pay the price for the pro-

year helped to push Boeing into a

\$17am net loss, its first for 50

Boeing has, over the past few

months, frequently denied rumours that Mr Woodard and

Phil Condit, chairman, were

On Monday, however, Boeing's board decided Mr Woodard

should be replaced. Yesterday he

was still talking to Boeing about

mounting opposition. "I insist that Chernomyrdin be confirmed as prime minister as soon as possible," he said. "Every day that is vesterday Russia's financial cri- wasted means millions and

Gennady Zyuganov, leader of Russian officials the current tur- parliamentary faction, said his members would never back Mr Chernomyrdin's return to gov-On the first day of Mr Clinton's ernment. Mr Chernomyrdin's two-day visit to Moscow, US offl- nomination as prime minister was rejected by parliament this week. He can be resubmitted twice before elections are called. Meanwhile Mr Chernomyrdin

> pay all Russia's foreign debts due in September, news agencies

said yesterday he had decided to

Mr Clinton had a 90-minute meeting with Mr Yeltsin, raising issues such as Kosovo, Iran and Iraq before a working lunch to discuss the economy. Mr Yeltsin, to approve Victor Chernomyrdin the subject of repeated rumours as prime minister in spite of of ill-health, was described by

Mr Woodard's departure from his

Mr Condit said Mr Mulally's

stewardship of the defence divi-

sion since Boeing took over

McDonnell Douglas last year

made him a better candidate to

run the civil aircraft division. Mr Mulally, 53, also has long experi-

ence in Boeing's commercial divi-

Mr Condit said: "We have expe-

rienced unsatisfactory financial

performance with our commer-

cial airplane operations. Our

expectations are that commercial

airplane operations produce sig-

nificant, double-digit operating

margins. We concluded there

must be significant changes in the composition of the manage-

He said Mr Mulally's success in

reorganising the defence division

had been "outstanding". Mr Mulally was expected to "bring a

level of intensity and focus to commercial airplane operations

that will achieve the results our employees, customers and share-

While Mr Woodard and Mr

Mulally are both Boeing veter-

ans, their management styles are markedly different. Mr Woodard

is famed for his plain speaking,

Mr Mulally, an aeronautical engi-

neer, has received a leadership

award from the Boy Scouts of

ment team."

RELATED NEWS AND FEATURES

JANCIAI TIMES

Features, Pages 10, 11

How bad can it get in Russia? Executives rewrite their options M is the amail investor coming back? Editorial Comment, Page 15 The view from CSF8 trading

> Market analysis and statistics E Sonds, Page 20

World stocks, Page 32 Ressian central bank criticised A London stocks, Page 28 ■ US-Russia in platnaken deel ■ Lex, Page 12

year US Treasury bond fell more several banks yesterday to than a point in early trading and announce Russia-related losses or European bonds were also hint at adjustments to provisions.

Nomura Securities, Japan's With the exception of south largest broker, said its joint UK east Asia, where the introduction and US operations had incurred of capital controls in Malaysia losses of \$350m on holdings of damaged sentiment, equity losses Russian government bonds as of were modest by recent standards. Angust 31.

les, Page 21

Martin Taylor, chief executive, said Barclays' charge reflected the deterioration of the outlook next week.

said. "From [last] Wednesday to today [Tuesday], it has changed another £100m. Bankers Trust of the US said it had made a pre-tax trading loss of about \$350m so far in the third

for Russia in recent days. "If we bad been making these provi-

sions last week, we would have

been much lower than £250m," he

quarter. The loss was "primarily attributable" to charges to cut exposure to Russian securities to 15 per cent of face value. As of Monday, its remaining exposure

in Russia was \$350m. In Germany, Dresdner Bank said it was reconsidering estimates of its exposure to Russia. and Deutsche Bank said it might raise its risk provisions, which stand at about 50 per cent, depending on market developments. So far, Deutsche has said it has DM1.35bn (\$767m) in loans

linked to Russia that were not

guaranteed by state agencies. Credit Suisse First Boston, one of the banks most heavily exposed to Russia, was one of the first to make a statement. It is likely to give an updated figure when it reports first-half results

Markets hit by further turbulence exposure to Russia was £340m. It is valuing all Russian exposure at 20 per cent of its rouble value but assuming a dollar exchange rate of Rbs12, compared with Rbs6 before last month's devalua-

Barclays said its Barclays Capital subsidiary had lost another £75m pre-tax in July and August in other markets because of the knock-on effects of the Russian turmoil.

Most investors were transfixed by yesterday's Wall Street gyrations, where the Dow reversed directions several times in early trading, alternating between a loss of more than 100 points and

a gain of over 200. In London, the FTSE 100 index fell 80.3 to 5,169.1, more than 1,000 points below its all-time high of July 20. But the Paris market fell only 0.2 per cent, and in Frankfurt, the Xetra Dax index rebounded to gain 0.9 per

cent on the day. Reporting by Philip Coggan and Clay Harris in London, John Authers and William Lewis in New York and Graham Bowley in



Boris Yeltsin greets Bill Clinton as US Secretary of State Madeleine Albright looks on yesterday

much engaged...on top of an

extremely difficult situation". port. Mr Chernomyrdin, after tell-faced its financial crisis. In tough ing MPs this week Russia stood times, governments needed staon the brink of political and eco- ble revenues to pay bills. "That

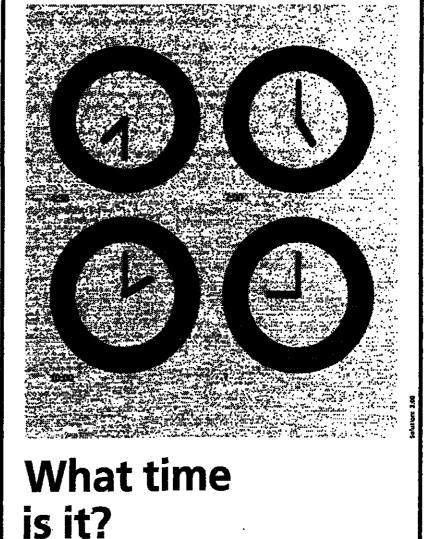
Strobe Talbott, deputy US secre- forming his cabinet, arguing the that everybody pays their fair tary of state, as "vigorous, very country could not afford delays. Mr Clinton, in a speech at the Moscow University of Interna-Mr Clinton also had a 35- tional Relations, outlined what minute discussion with Mr Cher- he said were lessons of internanomyrdin in the car from the air-tional experience for Russia as it

share of taxes. Printing money to pay the bills and bail out the

banks does not help." Meanwhile, Vladimir Petrov, Russia's acting first deputy finance minister, was arrested yesterday under suspicion of tak

ing bribes. nomic breakdown, set about requires decisive action to ensure Observer, Page 11

It's a Cinven challenge



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CONTENTS

Cinven Capital reflection

Global companies see their world turned upside down

John Authers in New York and Paul Taylor in London

A small hand of global companies has prospered from the so-called New Era thinking that has captivated 1990s. Now, with the stock market in disarray, it is those companies that have been worst hit.

STOCK OPTIONS

Blow to

packets

York and Jonathan Ford

Top executives of some of

the world's biggest corpora-

of dollars a head as a result

of the recent stock price

The executives are out of

pocket because of the fall in

which allow them to buy

shares in the company at a

The losses are particularly

high in the US, where many

chief executives have been

taking a high proportion of

their remuneration in the

form of stock options than in

William Mercer, an

employee benefit consul-

tancy, says that last year,

138 out of 350 large US corpo-

rations gave their chief exec-

utives stock option "mega-

grants" with a face value of

more than three times their

hardest by the recent stock

Barad, chairman and chief

paper losses exceeding \$20m.

seen the value of their

or below the exercise price -

Many executives have down sharply.

Examples of those hit

set price in the future.

pay

executive

tained growth and ever-rising productivity would be ushered in by the revolution in information technology and the triumph of free market capitalism around the world.

The stocks that benefited most from this view were companies such as Coca-Cola, which has come to symbolise the globalisation the twin technology giants Jones Industrial Average of has rested heavily on the of Microsoft and Intel. They

The sharp stock market

correction brought on by

Russia's financial collapse is

bad news for companies

looking to gain a stock mar-

ket listing, and good news

for those that want to buy

Several US companies and

one German group planning

have postponed the deals to

increasingly evident in

observers say the US IPO

the world, may soon slow

largest broker, yesterday said its joint UK and US

combined losses of \$350m on

government bonds at the

The loss is equivalent to

financial turmoil in Russia

has inflicted damage on a

Nomura yesterday denied

"material" impact on its

Nomura's share price yester-

tive of Eastman Kodak, the recent weeks, and some of privatisation programmes Markt in coming weeks.

RUSSIAN BONDS JAPANESE BROKER HIT

\$350m losses

market, the most active in tially revised downwards.

back their shares.

price declines include Jill initial public offerings (IPOs)

executive of Mattel, the toy- await calmer markets. It is a

maker, and George Fisher, trend that has become

now suffered the most. "We have see the upside of globalisation for the last seven vears - now we are seeing the downside," said Jeffrey Applegate, equity strategist

By early afternoon yesterday, Coca-Cola had lost more than a quarter of its value compared with the peak it hit last month, more than the overall loss of the Dow which it is a part. Both

down about a fifth.

These well-managed, largecapitalisation global companies had until recently been immune from a weakening

Small companies have been nummelled for some time: the Russell 2,000, the most widely followed index as early as April and has since fallen by 30 per cent. Multinationals had been

belief that a period of sus- are also the ones that have Microsoft and Intel were held out as immune from such declines, thanks to their global reach and the rapid growth and supposedly secure profit gains that seemed to justify a premium stock market rating.

Companies which have used their high stock market valuations to fuel acquisitions have also fallen back. Travelers, the financial services group in the midst of a planned merger with Citicorp, has seen its stock price plunge by more than 40 per

analysts in New York said it

was "far too early to say"

what impact the crisis would

have on Goldman's plans:

the listing is not due until

Some of the biggest Euro-

pean deals in the second half

of 1998 are of telecoms priva-

Swisscom of Switzerland and

European institutions

remain flush with liquidity,

quality" in the IPO market

appears more likely than

"The IPO market thrives on

OTE of Greece.

The year's most eagerly But as one banker noted:

Com, which is on the brink and analysts to question of completing an acquisition of MCI Communications, has ble" has finally burst. lost nearly 30 per cent.

market sectors, meanwhile, it has been technology and financial services - the two biggest engines behind the earlier run-up in stock prices - that have suffered the

The fall in tech stocks, particularly those in the internet sector, have

whether the "internet bub-Among the biggest price

Among particular stock declines have been seen in such as Yahoo, the most visited site on the web, Excite. the second most visited site. Netscape, which helped launched the internet stock boom, and Amazon.com, the

Most internet stocks fell

cent from the peak: World- prompted some investors cent on Monday and contin-

Bank stocks, had already July 14, the Philadelphia ette & Woods bank index has dropped more than 31 per

came before last week, when hanks started announcing

SOVEREIGN BORROWERS ALTERNATIVE LENDERS WILL BE NEEDED

'Tap turned off' for emerging markets

Emerging market governments could be shut out of the international financial markets for the rest of the year and possibly for much

The effect of the recent domestic bond markets but effective default by Russia it means paying much and the market sell-off around the world will compel emerging markets to seek alternative sources of funding, they say.

"The international tap has once again been turned off," said Peter West, chief economist at BBV Latinvest, in London yesterday. "The markets won't look at emerging market paper for a while. And when they do it will be very expensive for ernments to raise money

internationally." Bankers say the countries worst affected will be those with the heaviest financing requirements, which include Thailand, Malaysia, South Korea, Brazil and Venezuela. Brazil, which has a budget deficit of 7 per cent of gross domestic product, was singled out as one of the main victims of the credit crunch.

"Governments everywhere will have to be very inventive to find the capital they able - asset-backed bonds need to plug their budget and current account defitheir wholesale rejection cits," said Manmohan Kumar, a director of global at Credit Suisse First Boston. "If the crisis continues they will have no choice but growth through higher interest rates or through much

> lower spending." sources of financing for an option for emerging mar- the tax on bond revenues." emerging markets, including

their domestic bond markets, revenues from privati- Turkish move to sation, the international loan markets and – in a genuine emergency - assistance from OECD governments. Of these, the most obvious is the domestic bond markets. "Countries like Brazil can

raise money from their higher interest rates which will choke off economic growth," said Mr West. "The longer markets are cut off from international capital, the further their growth

rates will fall." BRV. like other finance houses, has cut its forecast of Latin America's 1999 average growth rate from 3.5 per cent earlier this year to just

Another alternative is to issue asset-backed bonds or securitisations. By earmarking collateral, such as oil revenues or telephone receipts, to service the bond. the borrower can achieve a much higher credit rating than on a straight bond issue. This could provide the international investor with sufficient comfort to return to emerging market paper

once the crisis has stabilised. But - given the limited amount of collateral avail-

a fraction of the funding gan. some scope for governments emerging markets strategy to take out loans from the reserves to prop up the lara. syndicated debt markets but at punitively high margins. With the average spread on to sacrifice any economic J.P. Morgan's emerging market bond index hitting 14.38 nerves in the long term. percentage points yesterday (compared to a low of just Istanbul broker: "Yilmaz did Economists say there are a 3.3 points last October), the well to avoid populist number of alternative bond markets are no longer measures like postponing

check outflows

minister, has announced measures designed to check capital outflows from Turkey's money markets which have exceeded \$2br devalued the rouble on August 17, reports Christopher de Bellaigu from Ankara.

Mr Yilmaz hopes to steady the markets through the abolition of a 6 per cent withholding tax on interbank operations, combined with the repeal of a decree forward operations to 15 per Both measures were brought in in July as part of an

anti-inflation push. Mr Yilmaz was oromoted to act by growing indications that Turkey's economy has not, as some predicted. remained isolated from woes

in other emerging markets. Although Turkey's markets government bonds have soared from 78 to 130 per cent since the end of July. The stock exchange index are unlikely to fill more than has fallen 45 per cent in six cs. Since August 17. the Bankers say there may be central bank has parted with more than \$2bn in foreign Analysts are divided over whether Mr Yilmaz's

measures, which came into According to Adil Rizvi, an

RETAIL INVESTORS CONFIDENCE MAY BE WANING, BUT NO PANIC

Money seen moving out of equities to cash funds

US retail investors, whose immense confidence in equities is widely regarded as an important support for the bull market in recent years, appeared to be shifting oney out of equities into cash funds yesterday, although there was no evidence of panic selling.

management groups said they had seen steady switching from equities into cash

Charles Schwab, the largest US retail broker, said it fund sales for the past two had been exceptionally busy on Monday, with 140,000 calls from investors to operators, and 350,000 automated telephone calls. At any one time, nearly 25,000 investors were using its web-site think equity funds took in a simultaneously, roughly net inflow on Monday."
double the normal volume. It added that it had taken

for most of August.

eral weeks, was continuing. Fidelity Investments of market index proving partic-

Boston, the largest US fund ularly popular. manager, also reported heavy volumes of telephone calls from investors. It said: "As has been the case throughout the month, we day afternoon because of saw investors choose to redemptions by their invesmove money from equities to more conservative vehicles such as bonds and cash. However, the vast majority of our shareholders have

chosen to sit still." Philadelphia-based Vanguard, which has led mutual years, also reported heavy volume, although it said telephone calls remained below record levels, it had have final numbers, but we

cash out of mutual funds" with its passive funds invest-

However, suggestions by

some arbitrageurs that mutual fund managers had had to sell equities on Montors appear to be inaccurate. According to the Investment Company Institute, the Washington-based trade association for the industry. an average of 5.1 per cent of the assets of equity mutual funds was held in cash at the beginning of August. This is equivalent to a total

of \$144.1bn Several market analysts have expressed concern in recorded. It said: "We don't recent years that modern mutual fund systems, which allow instantaneous transfers in and out of money funds over the telephone or In mutual funds, it net inflows of cash for equity the internet, would allow reported that the "flight to funds throughout last week, swift panic selling in the



部即 Monetary authority

Carry Line

Wall Street a morning in the life of a trader To market, to market, with baseball bat in hand

difficult day for Michael leading investment banks.

Clark, head of US stock trad-vide an accurate guide to the desk at all times. Mr Clark Boston, one of Wall Street's in the day ahead. before the opening of the was told by an analyst of guy right out of this trading Clark and his team had

dumped it in the bin.

For a while it looked as if the rotten banana would pro- he appears to keep by his ing." ing at Credit Suisse First stock market's performance lept to his feet and with his market had even started back at their desks, and by

To make things worse, on angst went to swing it. At 9am, half an hour his speaker phone Mr Clark market, he took a mouthful some news about a company room," Mr Clark said, clearly stayed to plan strategy for CSFB trades shares in that sensing a hard day ahead. yesterday's trading session.

banana," he said and price when the market back and everything will be market had been necessary the gains it had made in the sell trades, Mr Clark - one of

face scrunched up with trading.

"We are not just going to go Their view; the fall in the

Grabbing the baseball bat back to fundamental invest-

And all this before the Clark and his team were

buyers and sellers.

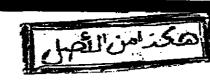
9.15am the tension - and the trading room began turn- market trading. After Monday's 512.61- shouting - on the trading ing lighter. The shouting, comparable with just before kick-off at a soccer match. By mid-morning, as the screeched one trader. Dow was giving up most of

OK. This will force people to reach a proper balance of first hour of trading, Mr the most respected traders By 7.15am yesterday Mr enjoying himself.

> you please let me know what is going onnnnnnn,"

Clark actually seemed to be on Wall Street - gave the impression of jousting with By 11am as the Dow the market, testing the skills bounced back, the mood in he has gained from years of

"This is about as difficult "I would like to knock that point fall in the Dow Mr floor had reached a level however, did not stop. "Can it gets right now," he said. With a series of buy and it is going."



a phenomenon that could whether they should be Some companies say repricing is necessary to retain top talent, but shareholder activists strongly oppose that because it extends an advantage not available to other shareholders. Senior UK executives have fared better because of the By Gillian Tett in Tokyo (L-Tip), a remuneration scheme that has progressively replaced share options

operations had incurred panies in the FTSE 100 index their holdings of Russian operate L-Tips. Unlike share options, end of August. L-Tips do not involve any payment by the executive. almost half of the Y102bn Instead, awards of free (\$728m) consolidated pre-tax shares are made annually, profits that the brokerage the variable being the size of reported in the 1997 fiscal reported in the 1997 fiscal the grant, which depends on the company having met cer-

tain performance targets. These are generally meany's peer group or fellow circle of international banks. index constituents, further insulating the executive that the loss would have any

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Responsible Publisher: Bradley P Johnson Telephone *40 8 701 2345. Printer: AB Kvallstidningen Expressen, PO Box 6007, S-50 06, Jankoping. . The Financial Times Limited 1991 of banana and immediately

laries are extremely well sure to Russia. However, capitalised and the situation this represents just 0.09 per in Russia will not have any cent of the bank's total loan material impact on the portfolio.

healthiest of the Japanese brokers, and is considered

better placed to absorb the However, analysts yesterday

It highlights the degree to which the political and Nomura's".

financial standing. It pointed out that shareholders' equity

Japanese bank lending to Russia totalled \$985m at the

totalled about Y1,800bn or end of last year, according to \$13.5bn at the end of March. data from the Bank for International Settlements. Bank day closed at Y1,359, com- of Tokyo-Mitsubishi had the pared with Y1,370 on March largest proportion of this, "Nomura and its subsid- sured, non-guaranteed expo-

NEW LISTINGS INITIAL PUBLIC OFFERING PLANS POSTPONED IN GERMANY AND US

boosts a stock's perfor-

mance. At least four small

US companies yesterday said

they had approved buy-back

schemes, claiming their

share prices were underval-

Investment bankers were

yesterday insisting it was

too early to say whether any

of the big-ticket IPOs due in

the second half of the year

would be affected by the

stock market correction. But

' - would need to be substan-

options fall "under water", more companies are plan- poses, and they are still on battering in the current issues at the moment."

ued at current levels.

shares, a move that often do not raise as much money

tations by sellers - including new companies plan to

But there is evidence that for fiscal or strategic pur- banks have taken a severe is not conducive to new

waiting on calmer times

ning to buy back their track even if governments downturn because of their

as they had hoped," said the

kets at a London-based bank.

exchange for high technol-

ogy companies, the Neuer

Markt, became the latest

casualty of the turbulence

yesterday when a company

delayed its IPO. Morphosys,

a Munich-based biotech com-

pany became the first group

on the exchange to postpone

its public offering because of

awaited IPO is of Goldman

"A lot of these [privatisa- Sachs, the US investment stability and confidence. The

Wall Street: shock to the system?

tion] deals need to be done bank. Shares of investment whole market environment

they agreed that price expec- the volatility. Several other however, and a "flight to

Germany's new stock

Daiwa and Nikko, Japan's second and third largest brokers, have not yet indicated their exposure. However, a said the exposure was "con-

Japanese banks' potential losses are believed to be rela-

with about \$260m in unin-

said the scale of other banks' Nikko spokesman yesterday siderably smaller than

tively small compared with the damage they have suffered in south-east Asia in

WHOMESDAY SUPTEMBER 2 194

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By Stephen Fidler in Moscow

In the midst of continuing

crises in Moscow, the US

announced two agreements

with Russia that it claimed

world. The Clinton adminis-

tration is particularly anx-

ious to demonstrate tangible

success from the Moscow

The two sides agreed in

principle to convert 50

tonnes apiece of plutonium recovered from dismantled nuclear warheads into mate-

rial unuseable for weapons.

A second accord will mean the US and Russia sharing

information on the launches

of ballistic missiles and

space rockets, reducing the danger of a false warning of

The plutonium, enough to

make thousands of weapons,

would cover about half of the declared US plutonium

stocks. Russian stocks are

estimated at about 160

The two sides hope to com-

plete the agreement, which

follows one already in effect

for enriched uranium, by the

end of the year. The agree-

ment, which will include

provisions for international

monitoring, envisages the

plutonium either being used

in nuclear power reactors or

being mixed with radioactive

waste and stored in a waste

Among the details to be

worked out is how the Rus-

sian side of the operation

funding from other members

of the Group of Eight indus-

trialised countries will be

forthcoming. US officials

special assistant to the presi-

soil of nations outside Rus-

sia," Mr Bell said.

repository.

AID FOR RUSSIA CHINESE OFFICIALS REACT WITH CONCERN AS MOSCOW CONTINUES TO BE RIVEN WITH WRANGLES OVER POLICY

Two deals Beijing pledges \$540m to help steady the rouble

By James Kynge in Beiling and John Thombill in Moscow

China said yesterday it was pledging \$540m to help stabi-lise the economic turmoil in

Zhu Bangzao, foreign ministry spokesman, said the money would be dispensed through the International Monetary Fund. But it was not clear if the funds would form part of a \$22.6hm TMF would make for a safer package already outlined, or latest bout of Russia's finan-

cial crisis last year that Beijing has promised aid through the IMF. Its pledges of \$1bn to Thailand and \$500m to Indonesia were applauded as a sign that Beiing was starting to shoulder

regional economic stability.

impact on China from the

eart of a new initiative. cial crisis has been limited mission, Russia's market rate drop 15 per cent to 9.33 an organised foreign ex-should be able to hold the This is the third time since but has caused concern regulator, attacked the cent to the US dollar; it fell fur-change market is disrupting rouble at about current levown currency, the renminbi. rouble. In the absence of an Moscow with a clear eco-

The direct economic gled over policy. Dmitry Vasiliev, head of

"The absence of a real approved government in exchange rate for the rouble creates a catastrophic situanomic line. Russian financial tion," Mr Vasiliev said. "If some responsibility for markets continued to slide you do not trade in the curyesterday, as officials wranrency, people will panic and move into dollars."

On Monday, the central the Federal Securities Com- bank let the official rouble

the start of the Asian finan- among Chinese officials. But tral bank's recent policy of ther to 10.88 yesterday. The foreign trade transactions. Beijing has stuck to its unilaterally declaring an average exchange rate on promise not to devalue its official exchange rate for the Moscow's electronic currency exchange, mainly used for inter-bank trades, fell to 11.21 yesterday. Unofficial prices for the US dollar have converged at about 10 in recent days. At present, the official exchange rate is largely symbolic and does not apply to most commer-

currency trading would resume later this week on the Moscow Interbank Cur-

August 26. Peter Boone, economist at Brunswick Warburg, the

els, provided it did not start Sergei Dubinin, head of printing money or issuing the central bank, has said more credits.

He estimated the central bank had provided Rbs30bn (\$2.7bn) of credits to the rency Exchange, where trad- banking sector in recent ing was suspended on weeks, equal to 20 per cent of base money, contributing to the rouble's sharp fall. "At that rate you get into Moscow-based investment very high inflation very cial transactions. But lack of bank, said the central bank quickly," he said.

TREASURY BILLS MOUNTING LOSSES FOR FOREIGN INVESTORS

GKO decision delayed

Foreign investors locked into Russia's frozen treasury bill (GKO) market are nursing mounting losses as the political crisis in Moscow continues to delay the country's long-awaited restructuring scheme.

The plan, which forces local and foreign investors to ome Booth, head of markets swap short-term GKOs for research at ANZ Investment longer-dated debt, was Bank. announced last month as a way of easing Russia's debt for about \$17bn of the total burden. But it has been delayed twice, causing frus- the rest is held by Russia's tration to investors already resigned to sustaining huge osses on their portfolios.

Bankers said yesterday that although the government released some details covering the timetable of the exchange last Friday, they

were still waiting for final details of how it would work contained in a so-called "term-sheet". "Losses are accumulating

on a daily basis. The longer it takes, the more people go under and some hedge funds may blow up. The question is whether we're getting close to the end," said Jer-

Foreign investors account GKO market of about \$40bn: banks and the central bank. Moscow has told them that

they have three weeks in which to decide whether to convert their GKOs into new rouble-denominated bonds or a mixture of dollar and rouble paper.

more about which exchange rate will be used in the swap. They also want to know whether the debt can be traded. Moscow has indicated that it might restrict trading of the rouble paper. investors fear such a move would lock them into the currency at a time when it is fast depreciating.

Bankers said that hedge funds - specialised investors that often take risky positions in markets - were suffering the most and were facing pressure to repay borrowings used to enter the GKO market.

"These people have lever aged their GKO exposure up to two to three times by borrowing on margin to pay for

them. They are really hurting." said one banker.

EUROPEAN CENTRAL BANK MONETARY POLICY STRATEGY TO BE ANNOUNCED NEXT WEEK

Kohl calls for patience ECB planning no action yet will be financed. It is hoped

G7 REACTION 'READY TO ACT WHEN IT MAKES SENSE'

Any special reaction of the said Germany, Japan and France had expressed an interest in the programme. nations or the European tact with each other. The launch information-Union to the Russian crisis would have to wait until sharing agreement will, according to Robert Bell. events had clarified in prime minister in Moscow," dent for national security man chancellor, said yesteraffairs, extend an existing day.

accord covering theatre nuclear weapons into the The agreement "is espeof a G7 summit, "but only cially relevant at a time when it would produce a regult and not simply he a when Russia's early warning system is under stress from show". Similarly, the European Union was ready to act budget difficulties, systems together "when it made failures and the closure of sense to act". early warning radars on the

There was no point raising expectations of financial sun-

HONG KONG EASING THE BURDEN FOR THE SMALLER BANKS

while, the G7 and EU coun-Group of Seven industrial tries were in constant con-

"What could the G7 do? Moscow, Helmut Kohl, Ger- Mr Kohl went on. The EU trines overnight". was preparing a response to "I'm always for such a pointless to approach Tinton wee

there. It would also be counter-Kohl said.

conference that all Germany be tied to economic reform."

port in Moscow only for and other western nations By Wolfgang Minchen these to be dashed. Mean- could do at present was to urge Moscow not go back to the past. He appealed for The governors of the patience with Russia: "You European Central Bank met can't expect that Russia's We don't know who will be financial policy will fall into line with pure Harvard doc-

Earlier this week, Keizo essary. the crisis but it would be Obuchi, Japan's prime minister, suggested a G7 meetmeeting," he added, when Moscow this week while ing to discuss the Russian

productive for the EU to tell of G7, had phone conversathe Duma, the Russian par- tions on Monday with Rusliament, what to do: "It sia's President Boris Yeltsin would do the opposite," Mr and other G7 leaders. An aide said yesterday: "We are The chancellor told a press willing to help, but it has to

yesterday to discuss the international financial crisis, but concluded that no immediate policy action was nec-

The central bank governors will hold another meeting on Friday next week, Tony Blair, UK prime min- announce the ECB's future is now considering changing ister and current chairman monetary policy strategy. The ECB said there would be a news conference after next week's meeting.

Alfons Verplaetse, the Belgian central bank governor, said the Russian situation had no impact on the ECB's monetary policy "at this until the end of 1999. The will be only 2 per cent, and point in time". The political sensitivity of

yesterday's meeting was underlined by the presence of Rudolf Edlinger, finance minister of Austria, current holder of the European Union's rotating presidency, and Yves Thibault de Silguy, the European monetary

affairs commissioner. Deutsche Bank, Europe's its forecasts for of European interest rates

The bank's economists believe it is likely that short-term European interest rates - currently at 3.3 per cent in Germany and France will remain at that level

short-term interest rates rising to 3.5 per cent. There is growing nervous-

financial establishment. until Russia's recent effective default and the devaluation of the rouble. Peter Cornelius, a senior

said about 40 per cent of the world economy was either in an economic downturn - world economic downturn. including the UK.

He said: "This creates an exceptionally difficult situation for the ECB. We predict

bank is currently predicting there is no way that Europe can decouple from world economic developments."

ness among Germany's still vividly remember the 1987 stock market crash, and which largely ignored inter- the ensuing inflationary national financial contagion monetary policies in the US and the UK. They are keen to avoid overreacting by keeping interest rates excessively low for too long. But have to perform a fine balancing act since they do not recession or in the midst of want to be blamed for a

The Bundeshank still suffers from critics who blame the 1987 crash on comments by Helmut Schlesinger, then that world economic growth its deputy president.

MALAYSIA MEASURES ROLL BACK YEARS OF LIBERALISATION

Monetary authority moves on interest rates

By Louise Lucas In Hong Kong and Peter Montagnon, Asia Editor, In London

The Hong Kong Monetary tory's de facto central bank, sterday poured more funds into the money markets, push share prices lower. The pulling down interest rates and easing the financing

often lack substantial deposit bases and have been faced with overnight borrowing costs of 20 per cent and higher in recent days, have suffered the biggest squeeze on margins. The prime lend-

ing rate is 10 per cent. The sharp drop in interest overnight money, defied the A+ to A.

By Louise Lucas and

Peter Montagnoo

dismal sentiment engulfing Hong Kong and Monday's steep fall on Wall Street. Fitch-IBCA, the international credit rating agency. Authority (HKMA), the terri- cut its ratings of eight of the territory's banks.

These factors combined to government, which last month spent an estimated US\$14bn buying blue chip Smaller banks, which stocks in a bid to thwart speculators, was not seen to be involved actively yesterday. The benchmark Hang Seng Index fell 2.92 per cent to 7.062.47.

Sentiment was also subdued by Standard & Poor's Hong Kong downgrading late on Monday, cutting its rates, from around 16 per long-term foreign currency cent to around 5 per cent for sovereign credit rating from

GOVERNMENT INTERVENTION SIGNS OF WEARINESS WITH FREE MARKETS

be seen. Most know they will

the form of foreign direct

In Indonesia, for instance

mend tight money as a way

investment.

ing about Asia's economic the International Monetary

crisis. It comes as Hong Fund continues to recom-

controls that protect the helped fuel - are now much

terday the downgrading was unjustified. "As a responsible government we must strength - at six of the take all necessary steps to smaller banks from B to B/C. protect the stability and integrity of our currency and financial markets when they

attack." The government also alluded to Standard & Poor's acknowledgement of its sector is seen as critical, and embryonic concerns have already been flagged by some retail depositors switching their savings to the bigger banks.

Fitch's downgradings, coupled with yesterday's rapid drop in overnight lending rates, underline those con-

Temptations of controlling capital

vidual rating - which measures internal financial Despite this, the banking

sector has shown itself resilient in the face of the Asian are under speculative crisis with all local banks remaining profitable in the first half of this year. David Carse, deputy chief executive of the territory's Monebanks' high capital ratios. tary Authority said yester-Confidence in the banking day. "We believe the banks ratios. are basically safe and sound," he said. "They've

stood up to 10 months of extreme pressure, and they have the cushion to stand up to further pressure to come." Profits had fallen by on average 25 to 30 per cent,

The government said yes- cerns. Fitch has cut the indi- sion, but arrears on mortgages were still "tiny" at 0.29 per cent of total lending even though residential property prices had fallen by some 50 per cent.

Mr Carse acknowledged that deposits were now barely growing - rising by only 1.6 per cent in the first half. This was causing banks to compete for deposits in order to maintain their liquidity and loan to deposit

By supplying liquidity to ers said, the HKMA was seeking to ease the pressure on their margins. Dealers measured the HKMA's role by the massive settlement level at noon, which was said Mr Carse, who is more than double the level responsible for bank supervi- usually seen at that time.

Mahathir declares markets have

in Kuala Lumpur

Mahathir Mohamad, the Malaysian prime minister, yesterday struck back against the global financial markets he has railed against for the past year. The measures were extraordinary even by Dr Mahathir's own remarkable standards.

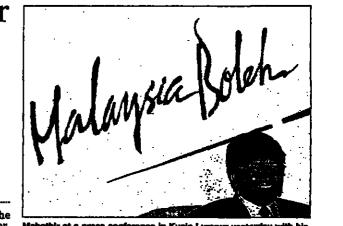
The free market system has failed and failed disastrously," he said in a television interview. "The only way that we can manage the economy is to insulate us...from speculators".

The measures, which effectively pull the ringgit out of international circulation and give the authorities absolute control over the economy, roll back years of liberalisation and mark an end to Malavsia's ambitions to become a regional financial centre.

Since the crisis began in July last year, the ringgit has been pushed down by as much as 48 per cent and the benchmark stock index down more than 70 per cent from its peak. Bank Negara, the central

bank, said the package of measures is designed to force the repatriation of billions of ringgit kept offshore within a month, after which holdings outside the country will be illegal. All trade must be conducted in foreign currency, travellers may only enter or leave with up to M\$1,000 (US\$238) cash and foreigners selling shares cannot repatriate their funds for

one vear. Dr Mahathir made it clear revising the standards by moved swiftly into recession.



Mahathir at a press conference in Kuala Lumpur yesterday with his

which it is measured. Malavsia could change the point at believe that banks will which a loan becomes nonperforming from three to six or even nine months. And it could revalue its companies according to its own standards, not global ones.

Dr Mahathir now has an unprecedented opportunity to address a problem at the heart of the economic malaise: the banking system's massive debt. The authorities can loosen monetary policy by lowering interest rates without worrying that funds will flow offshore. With the repatriation of ringgit, banks will have enough fresh deposits to revive lend-

The free market consistently blocked his

efforts

ing and generate growth. Malaysia's banks went into the regional financial crisis with a domestic credit to gross domestic product ratio of about 170 per cent, the highest in south-east

Asia. Economists predict that close to one-third of the loans will go unpaid. Banks have virtually stopped extending credit, fearing they will only add to bad

offshore deposits into foreign currency and stay out. They expect smuggling will evolve and a trade will build around subverting the rules. But, said Neil Saker, head of economic research at SG Securities, if it works the package could generate as much as 5 per cent growth next year, though it will be below-quality and unsustainable. Malaysia hopes to get by until foreign investment returns to the region, but Mr Saker said it would probably go to other countries first. The prime minister said he took full responsibility for

But not all economists

revive lending and spur busi-

pect they will convert their

the measures, saying the free market system consistently blocked his efforts. When Malaysia wanted to raise funds in global capital markets, be said, international rating agencies downgraded the country close to iunk bond status, making capital too expensive.

"As long as they can fiddle around ... we cannot do much," he said. "What we have done is to negate their ability to interfere."

That ironically may now be accelerated. Song Seng Wun, regional economist at G.K. Goh Research, said Malaysia would be stripped out of Asian portfolios and of equity indexes: "It will not

of holding up the exchange the trend by intervening in rate in order to regain the the local equity market. confidence of long-term In both cases the decisions investors. Many investors signal a weariness with the orthodox approach of allowmight look askance at the prospect of short-term capiing market forces to prevail tal controls in a country so on every occasion. For some notoriously vulnerable to governments the attraction of combining capital controls corruption.

Whather other govern-

ments conclude that capital

Malaysia's decision to

short-term capital move-

ments may signal a new

twist in governments' think-

Kong has also tried to buck

Malaysia's decision is with greater freedom over domestic monetary policy "raising the risk premium another notch for those conmust be considerable. Two countries which have been spared the worst of the

sidering investing in Asia," according to one Asia-Pacific strategist. turbulence - China and The international capital India - both have restricflows that, just two years tions on the capital account ago, were lured by Asia's of their balance of payments.

buoyant economic growth -

which foreign money in turn

exchange rate would provide less than they were. In 1996, capital controls. Thailand cover for the relaxation of annual cash flows to Aslamonetary policy remains to Pacific (excluding Japan) mutual funds alone totalled sia given the absence of HKMA's actions. What is impose controls on need long-term inflows in \$2.96bn, according to Salomon Smith Barney. Last

> 'It's a very, very dark day for Malaysia and Asian equities'

year that became a \$3.21bn Hong Kong's intervention in outflow. This year so far the outflow is \$383m.

By imposing exchange controls in Malaysia, Mahathir Mohamad, has at one stroke made the outlook still blacker, according to Paul Schulte, regional strategist (Asia) at ING Barings. 'It's a very, very dark day for Malaysia and Asian equities," he adds. Thailand, Indonesia and

yesterday said it was unnecessary for it to follow Malayshore. It will, however, still whether through the impact on tourism or, in the case of Singapore, through banks level of interest rates. which have exposure to the ringgit The biggest effect could

come from a mass drying up of capital inflows. Nerves had already been rattled by the stock market - an economy perceived to embrace free market principles shoring up share prices to thwart speculators - and Malaysia's action has caused many to revisit their intentions. "It creates more question

marks over the intentions of the Hong Kong Monetary Authority," says Mr Schulte. We are living in a land of unprecedented behaviour Hong Kong still do not have and trends."

believe Malaysia could have been encouraged by the speculation on the baht off- less likely is that Hong Kong will are Malaysia, although feel the impact of Malaysia's there are lingering doubts: move, as will its neighbours: the territory is not in full control of its markets and it is suffering from the high The HKMA itself insists its intervention was merely to

Mr Schulte, and others.

restore stability and does not suggest any straying from the path of "positive non-in-terventionism". Instead, the government used its substantial reserves to frustrate the speculators. But not all see the

HKMA's role in quite such a benign light - particularly not the bedge funds and big international investment banks which have been broking their positions. These investors have been wounded in ways the HKMA

may not have counted on, that the economy would be and Malaysia yesterday revived, even if it meant loans, and the economy has be on anybody's radar rammed the point home.

NEWS DIGEST

FEAR OF FURTHER LABOUR UNREST

reject strike deal

Hyundai Motor workers

Hyundai Motor, South Korea's largest carmaker, yesterday

was threatened with renewed labour unrest after workers

spurned a deal that ended a month-long strike last week

agreement to sack 277 employees instead of the nearly

Almost two-thirds of the workforce rejected a compromise

1,600 workers initially proposed by Hyundai. The vote reflected protests that the Hyundai union had accepted the

principle of mass redundancies, although they were small

the ability of companies to sack workers after recent laws ended lifetime employment guarantees. The rejection of

intervened to force a compromise and prevented the strike

ending in bloodly confrontation between workers and not

The government was later criticised for favouring union

demands and giving concessions that will make it harder

for corporate restructuring as Korea confronts its worst

economic crisis since the 1950s. John Burton, Seoul

the deal represents a setback to the government, which

The Hyundai dispute had been considered a test case of

Bucharest last year failed to secure early membership gain entry early next cencussed more than two years civil aviation business.

Ozawa hits at bank rescue plan

By Michiyo Nakamoto Gizian Tett in Tokyo

Japan's proposal to rescue the Long-Term Credit Bank of Japan (LTCB) with an injection of public funds is no longer a political option, a leading member of the opposition warned vesterday.

Ichiro Ozawa, leader of the Liberal party, said the ruling Liberal Democratic party's decision to inject more than Y500bn (\$3.5bn) of taxpavers' money to boost LTCB's capital base and support its merger with Sumitomo Trust was "politically impos-

The government has the legal means to force through its plans. But it faces growing criticism of the plan and is under pressure - amid media reports that LTCB has transferred some of its problem loans to paper companies, and because of a general lack of transparency as to the exact situation at LTCB. "I don't think that they can take a political decision to force through the rescue under those circumstances." Mr Ozawa said.

His comments highlight the difficulty the government faces in pushing through its plans to bail out LTCB. Its success could be short-term stability in gloomy economic outlook. Japan's financial markets, which have been rocked by concerns over a possible collapse of LTCB and political deadlock over the passage of

key financial reform bills. Separately, Takeshi Imal, head of the powerful Keidanren business group, yesterday appealed for an end to the political deadlock and warned that the stalemate risked exacerbating the eco-

nomic downturn. He said it was important for a compromise to be hammered out before the prime minister. Keizo Obuchi. meets Bill Clinton, the US president, later this month. In nervous trading yester-

By Stefan Wagstyl and Virginia Marsh in Bucharest

Romania is trying to

\$1.5bn deal with Bell Heli-

conter of the US to buy and

produce military belicopters

following strong domestic

President Emil Constanti-

remained in Romania's

the country's high-technol-

There is discussion on a

single aspect - namely hav-

ing a more favourable finan-

cial arrangement for this

His comments come amid

a fierce debate over the deal.

with Daniel Daianu, the

finance minister, threaten-

ogy mdustry.

contract." he said.

and international criticism.

BELL HELICOPTER AGREEMENT

Romania in

bid to alter

deal terms

renegotiate the terms of a under attack last summer

nescu told the Financial cash-starved government

Times yesterday that the can ill afford the deal which much delayed agreement with interest payments,

long-term strategic interest ment responded by asking

because it would help build investment banks to re-ex-



benchmark bonds briefly dipped below 1 per cent to touch 0.995 per cent for the first time anywhere, before rebounding to 1.08 per cent. The Nikkei average, the key stock market indicator, fell 3 per cent to a new 12-year low before recovering to close up 1.86 per cent on the day. Meanwhile, Fitch IBCA, a

credit-rating agency, expressed concerns about Japan's long-term economic prospects by issuing a warning that its AAA long-term foreign currency and local currency ratings could be lowered due to the deteriorcritical to ensuring ating health of banks and a

> The Liberal Democratic party's plan for LTCB involves using part of a liscal stabilisation fund earmarked to recapitalise Japanese banks.

But the opposition is, in principle, opposed to inject-ing public funds to rescue ailing banks. A three-party opposition alliance is putting together a bill that calls for abolishing the fiscal stabilisation fund. The opposition alliance is also opposed to the LDP's fiscal reform bills, including a proposal for a bridge bank to take over the healthy borrowers of a failed bank, and is presenting alternative proposals.

ment signed in the spring of

But the contract came

from the International Mone

tary Fund and the World

Bank, which are both

involved in talks with Buc-

would cost \$2bn. The govern-

amine the deal's finances.

tract to spread the cost.

some other ministers.

The banks suggested a

The agencies argue the

harest on new loans.

THREE-YEAR BATTLE BUREAUCRATIC DELAY AND AVIATION MINISTRY OBSTRUCTION BLAMED

Tata drops plans for airline

India's Tata group yesterday announced it was withdrawing its proposal to launch a domestic airline, blaming three years of bureaucratic delays and obstruction from the ministry of civil aviation. The move follows an earlier decision by Tata Industries to shelve plans to build an airport at Bangalore, which also faced

a ploy designed to put pressure on the government to

"It is over three years

compliance with all known policies and practices. competition, with foreign Despite this the Tata proposal...remained on paper due to the inability of four successive governments to to invest Rs7bn (\$165m) was implement their own poli-

Public opposition to the plan has been led by MPs and aviation ministry The company denied bureaucrats who say it claims that its decision was would harm state-owned Indian Airlines. However, Tata executives claim they clear its plans. "We have lost are the victims of lobbying our patience," said a Tata by Jet Airways, India's biggest private airline.

Tata Industries first

civil aviation for a domestic venture with Singapore Airairline," the company said. lines, following the govern-"The applications were in ment's decision to open the domestic market to private shareholders holding a stake of up to 40 per cent. Its latest modified proposal

> cleared by the investment board in January. Following the election of a new government led by the Bharatiya Janata party (BJP), the new minister of aviation, Ananth Kumar, has repeatedly refused to issue a "no-objection certificate" to clear the

• India's disinvestment commission has formally advised the government to since Tata Industries first applied to set up an airline reduce its holding in Air

applied to the ministry of in February 1995 in a joint India to 40 per cent and find a strategic partner for the troubled national car-

> In a report to the finance ministry the commission warns that if no action is taken. Air India could go bankrupt within the next two years. It has debts worth more than four times its equity and a heavy interest burden. Last year it made a loss of Rs3.9bn.

The commission said the airline also needed to expand and upgrade its small fleet -26 aircraft with an average age of more than 12 years At present Air India is able to use fewer than half the landing slots available to it under bilateral aviation

ing Congress on its opposi-tion to aid for North Korea.

"We have been told: 'Don't

worry, now that we're help-

ing them, the North Koreans

have frozen their weapons

their nuclear activities'."

complained Trent Lott, Sen-

ate majority leader. "And

then we find out that per-

haps they are doing this

underground nuclear facil-

ity, now they fire a missile

vice-president for Interna-

tional Security Affairs at the

Centre for Strategic and

International Studies, said

that the US was unlikely to

take a tough line. "This

a clue what to do concerning

Nonetheless, there were

calls for calm elsewhere in

the region. South Korea.

which is pursuing a "sun-

shine" policy of economic

co-operation with North

Korea, said it would not stop

moves toward reconciliation.

China, North Korea's clos-

North Korea," he said.

William Taylor, senior

across Japan territory."

PHILIPPINE RULING

Subic Bay chief removed

Joseph "Erap" Estrada, new president of the Philippines, appears to have won a fight for control over the country's flagship industrial development at Subic Bay, the former US military base. The Supreme Court of Philippines yesterday rejected an appeal against the controversial decision by Mr Estrada to sack a political foe, Richard Gordon, as chairman of the Subic Bay Management Authority. The move in effect quashed a high-profile campaign by Mr Gordon, who had overseen the transformation of Subic Bay after the departure of the US military in 1991, to retain his position.

Mr Gordon said he would abide by the Supreme Court decision and discuss a smooth transition of the "functions" of the SBMA with Felicito Payumo, who has been appointed as chairman of the authority by Mr Estrada. Mr Estrada said he was "very glad" with the Supreme Court decision and hoped Subic Bay could now "return to

normal". Tony Tassell, Manila

INDIAN TRADE

Devaluation boost to exports

India said yesterday exports in July were 7.71 per cent higher in dollar terms than in the same month of last year, suggesting the recent rupee depreciation is slowly boosting previously sluggish trade.

The Indian rupee, which was thought by many economists to be over-valued last year, has fallen in value by 20 per cent since last July. Much of that drop has come in the wake of India's May 11 nuclear tests, with the rupee falling about 8 per cent since the blasts.

The spurt in growth - India's July exports reached \$2,98bn, compared to \$2,77bn in July last year - follows several months of staggant exports. The value of Indian exports between April and July of this year, however, fell 3.37 per cent, to \$10.6bn, from \$11bn during the same period last year. Army Louise Kazmin, New Delhi

N Korea stirs region's worst nightmares

Missile test was aimed at winning concessions, but has prompted an outcry

orth Korea is known for its tough diplomatic hargaining, but its latest attempt to press the US to offer concessions by launching a medium-range ballistic missile over Japan

could well backfire. The global outcry over the missile test could jeopardise what North Korea has sought to achieve with its display of military prowess more rewards for its agreement with the US in 1994 to freeze a suspected nuclear weapons programme by

shutting down its reactors. The angry reactions from Japan and the US could instead unravel the agreement. which would plunge north-east Asia into a new nuclear crisis and raise the risks of full-scale war. "North Korea has the tendency of being tactically clever, but strategically stupid in its negotiations," said a US official in Seoul.

Although Pyongyang has broadly adhered to the ened opposition in the US nuclear agreement's terms.

side of the bargain. Promised deliveries of heavy oil fuel have been delayed, while the US has not eased economic sanctions or upgraded diplomatic relations as suggested in the accord.

With its economy collapsing, Pyongyang has resorted to hardball tactics.

Last month, it admitted it was selling missile technology abroad, believed to be the Middle East. Playing on US fears of missile proliferation, it issued an unsubtle message. "If the US really wants to prevent our missile export, it should lift the economic embargo. Instead, the US and Japan

are threatening to renege on two key components of the nuclear agreement. Hours after the missile test, Japan refused to sign a cost-sharing deal to finance two lightwater reactors, which have no military use, promised to North Korea under the accord. Yesterday a cabinet meeting in Tokyo decided to postpone discussions on the project indefinitely. Tokyo had earlier pledged \$1bn for the \$4.6bn project.

The missile test has hard-Congress to the approval of it is complaining that Wash- \$30m for the delivery of fuel ington has failed to fulfil its oil to North Korea as an

mothballed reactors. Pyongyang has threatened to restart its nuclear weapons programme if the fuel is not supplied on schedule by October 21. But the question remains whether Washington and

energy alternative to its have a hard time challeng-

Tokyo are prepared to scrap the nuclear agreement at the risk of war?

Tokyo is under domestic pressure not to yield from a public that already regards North Korea as a pariah state that poses the greatest threat to national security. Public shock and disbelief in Japan have turned to anger.

oshiro Mori, secretarygeneral of the ruling administration doesn't have Liberal Democratic party said "if the firing was intentional, it's quite fair to say a war could have broken out. It is nothing other than a breach of trust."

The missile launch has shown that the entire Japanese archipelago - including US military hases - is within the range of North Korea's more advanced missiles and that "Japan has no defence against a missile attack." says Masao Okonogi, Keio University professor and expert on Korean affairs. President Bill Clinton will

est ally, called on "relevant sides" to begin negotiations that would ease tensions.

Reports by John Burton in Seoul Mark Suzman in Washington and Michiyo

WORLD TRADE

Ottawa faces claim over PCB waste ban

By Scott Morrison and Edward Alden in Toronto

A US company specialising from the Canadian governthe export of polychlorinated provisions.

biphenyls (PCB) waste.

to an expropriation of the business of S.D. Myers, an Ohio-based company. The case is the second in

in the clean-up of hazardous as many months to raise wastes is seeking C\$10m fears that Canada's ability to (US\$6.3m) in compensation uphold its environmental ban on the import of the competitors. The company arbitration panel. laws has been curtailed by ment over Ottawa's ban on Nafta investment protection

Nafta allows a foreign cor-The claim, filed under the poration to request compeninvestor-state arbitration sation through binding arbiprovisions of the North tration if a government in compensation and American Free Trade Agree directly or indirectly exproment (Nafta), charges that priates the company's

to settle the first case brought by Ethyl, the US manufacturer of a methanoladditive, known as MMT, had resulted in a loss of business in Canada, and it sued for US\$250m in compensation. The federal government agreed to pay US\$13m

this week, S.D. Myers alleges

ers, prohibited it from consays the ban violated four Nafta articles, including pro-visions on national treat-say the two cases highlight Nafta articles, including pro-

ments and expropriation. The export ban was lifted in early 1997, when the govhandled safely in the US, but include similar provisions.

mon Market for Eastern and

Arguably, the five Sacu

Southern Africa (Comesa).

states have less to gain from

a regional trade pact embracing all 14 SADC states, and stand to benefit

more from an EU-South

Others, notably Zimbabwe

Africa free trade agreement

and more recently Zambia.

have negotiated bilateral

trade deals with South

Africa, while committing

themselves to a SADC

regional free trade protocol

due to be phased in over an

Forging an economic

union among countries so

disparate in size and at such

different levels of economic

development is a formidable

enough task, worsened by

leaders, notably Zimbabwe's

The Congo crisis threatens

to derail economic recovery

in a region where per capita

gross domestic product has

fallen from \$900 (at 1987

prices) in 1980 to an esti-

President Mugabe, to pro-

eight-year period.

nomic union.

Last month Ottawa agreed that a 1995 ban on exports of S.D. Myers wants compensa-PCBs, a highly toxic coolant tion for business lost during analyst with the Sierra Club, used in electricity transform- those 15 months. If the two sides cannot negotiate a setbased gasoline additive. ducting business in Canada tlement by October, the com-Ethyl had claimed Ottawa's and benefited its Canadian pany can ask for a Nafta

> ment, performance require- the risks to governments which will soon resume negotiations to forge a Multilateral Agreement on Investernment says it was reas- ment (MAI), a 29-nation

Andrew Chisholm, a policy an environmental group. said almost any environmental legislation could be challenged if it were viewed as expropriation or denial of

Trade tensions send southern Africa regional link-up reeling

SADC has been slow to translate economic rhetoric into any sort of reality, report Tony Hawkins and Michael Holman

scheme under which the finance ministry would periodically issue bonds over the lifetime of the 20-year con-Africa. And one of the casualties is an institution that should have helped prevent Bell thought the deal was

secured after the cabinet approved this financing Nearly 18 years after its arrangement in July, but Mr Dalanu last month launched launch, the Southern African Development Commua last-ditch attack which has since drawn support from The contract's opponents point out that with gross

domestic product declining last year by nearly 7 per cent and a forecast GDP decline of 4 per cent this year. Romania must cut rather than increase government Ministers are in the midst of talks over emergency spending cuts in the 1998 budget. However, other ministers argue that the deal

should be done if the terms can be renegotiated. Possible options include buying slightly fewer helicopters or securing early export orders.

Neculai Banea, general in an interview the contract was vital to the company's future. As well as investing of Nato but still hopes to in military production, Bell had also undertaken to tury. The deal was first dis- invest \$21m in the plant's

nity (SADC) is floundering, its leaders are at loggerheads, their economies are in difficulties, and their plans for regional security Not for the first time, the

Community's weaknesses are being exposed as Robert Mugabe and Nelson Mandela lock horns over how to respond to the crisis in the Congo. But while it is a battle which may owe much to a clash of personalities, part of the explanation lies in strained relations over trade issues which SADC should have belped resolve.

Launched in Lusaka, Zambia, in 1980, its original exports to its SADC neighobjectives were two-fold: to reduce trade with apartheid South Africa, and to co-ordinate donor aid.

By 1985, Community leaders had to concede that trade Zambia, criticise its trade with Pretoria had increased. partly because the ports and ing what they see as Prerailways in Mozambique - toria's reluctance to open up focus of over \$1bn of donor its own market while aggresaid - were also the targets of sively penetrating theirs. Pretoria's destabilising war Between 1990 and 1997, for against its neighbours.

for Pretoria's membership. It should have given the Community a boost, while allowing it to take on a role as the region's policeman. Instead, resentment of "big brother" has soured relations and its peacekeeping potential has

South African dominance - it accounts for almost three-quarters of the \$127bn regional market - has left SADC with the image not so much of an economic union, as a bunch of satellite states clustered around a regional

Until South Africa joined in 1994, trade within the Community represented a mere 2.6 per cent of regional exports. South Africa's accession led to a sharp increase to 14.5 per cent of the total by 1995, the bulk of this being South Africa's bours, with 86 per cent of intra-regional imports supplied by South Africa.

South Africa's neighbours, particularly Zimbabwe and and industrial policies, citexample, South Africa's

war in the Congo is Sending shock waves and the 1994 poll triumph of across southern Mr Mandela paved the way cent to 37 per cent. cent to 37 per cent. More recently. Pretoria's

negotiations for a free trade area with the European Union have led to fears that South Africa could become the platform for EU-based multinationals to take over SADC and East and Central African markets, restricting their economies to the production and export of raw

ut blaming the big boy Bon the block cannot obscure the fact that SADC has been slow to translate the rhetoric of economic integration into any sort of reality.

Part of the problem has been the divided loyalties of the member states. Five, including South Africa, belong to the closest-knit regional economic union on the continent: the Southern African Customs Union (Sacu) of which Botswana, Lesotho, Namibia and Swaziland are members. Tanzania is a member of

the revived East African mote SADC as a political Co-operation group with entity as well as an eco-Kenya and Uganda, while Angola, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Saychelles, Swaziland, Tanzania, Zambia and Zimbabwe belong to a rival economic union: the Com-





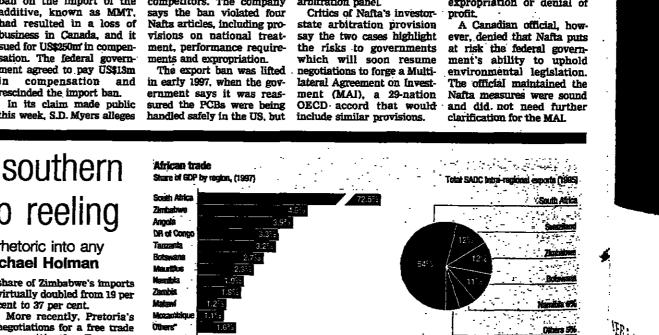
mated \$725 in 1996. Except for South Africa, every country now embroiled in the crisis desevery perately needs substantial

institutions. last beyond a few weeks, will seriously damage their economies while closing the door on foreign aid and foreign

Zimbabwe's decision to send troops to a conflict not directly threatening its interests could put paid to its hopes of raising more than foreign aid from the donor \$1bn at a donor conference community along with loans next month to finance land the determination of some from the Bretton Woods resettlement.

Also in doubt must be the The governments of disbursement of the next Angola, Namibia, Rwanda, tranche of its \$175m IMF Uganda and Zimbabwe know standby loan. Angola's hopes that their military involve of raising IMF finance have ment in the Congo, should it also been put at risk, while Zambia's stalled copper mine privatisation programme is another likely casualty of a conflict whose consequences

هكذاس القصل



NEWS DIGEST

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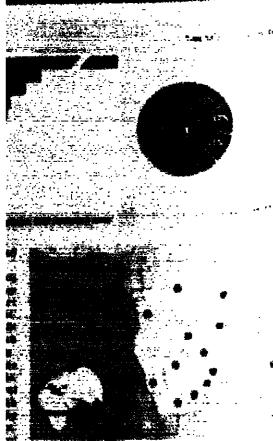
MENAN TRADE

Devoluation boost to export

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VEBA is a German multi-business company active in electricity, chemicals, oil, distribution/logistics, real-estate management and telecommunications. In 1997, we achieved \$46 billion in sales.

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Angola lurches closer to full resumption of war

Angola yesterday lurched closer to a full resumption of civil war by excluding the former rebel movement Unita from parliament and government in Luanda. Jose Eduardo dos Santos,

Angola's president, flew to an international conference mond-rich Lunda Norte in Durban, South Africa, province. where he expects to meet Kofi Annan, United Nations secretary-general, and try to find a way to salvage Angola's crumbling 1994 Lusaka peace agreement.

The suspension follows a Unita declaration last week in which it said it had stopped co-operating with Portugal, Russia and the US, the so-called "troika" of countries monitoring the The suspension of Unita IIN-brokered accords. Serious fighting has con-

tinued in the north and paper, Jornal de Angola, reported yesterday Unita "Looking at what has been

had attacked the north-eastern diamond-mining town of Luremo. Unita now controls all of the northern province of Malange, except for three towns. Diplomats in Luanda said the newspaper report would, if true, mark the first big battle this year inside the strategically vital dia-

Unita still has between 10,000 and 15,000 well motivated armed troops and since May has been retaking areas it had officially handed over to the government under the terms of the Lusaka agreement.

But the peace process is still alive, in theory, and officials in Luanda said a new war could still be avoided. from parliament is theoretically reversible and Unita said in its August 24 declaration that it was still committed to the Lusaka accords.

Lusaka has been dead for a long time," one diplomat. said. "But in practice, we have not yet reached the end of the peace process."

Thousands of Angolan troops are fighting in Democratic Republic of Congo alongside the forces of President Laurent Kabila, who is battling a Rwandan-backed rebellion in the east, as Luanda battles to plug holes in a carefully constructed regional strategy to clamp down on flows of supplies and weapons to Unita across its norous barders.

This strategy has added to successive layers of UN sanctions against the rebel movement which, although leaky, have made it more expensive for Jonas Savimbi, Unita's leader, to supply his

Mr Savimbi hones he can exploit the turmoil to expand his supply lines,

happening, you could say was not yet clear exactly how much he would benefit. Once backed by the US and South Africa during the cold war against the Marxist-Leninist MPLA in Luanda, Mr Savimbi now has almost no foreign backers, except those he can persuade to sellhim arms in exchange for diamonds. If the government holds on to its main diamond mines, Mr Savimbi is not expected to mine muchmore than \$100m worth of diamonds this year after

> ernment revenues from 750,000 b/d of oil exports. Despite the scattered fighting observers said they had not yet seen what many have predicted: an attack by the Angolan Armed Forces (FAA) on Mr Savimbi's main stronghold around the central highlands towns of Andulo and Bailundo But when Mr dos Santos

meets Mr Annan he is likely to ask for some form of international mandate to launch such an offensive. "The government is very interested in producing about \$500m last the idea of a UN ultimatum," year. Current output is also said an official closely monitiny in comparison with govtoring the peace process.

> to pursue full compliance. using force if necessary." If this happened it would almost certainly finish what is left of the Lusaka accords and prompt a withdrawal of the remaining 400 UN peacekeepers, who have already

ply by a certain date the gov-

ernment will be authorised

observation posts because of military insecurity. Their mandate expires on Septem ber 15. A new UN special representative to Angola

"I think the new special attack for menths now, we are running out of options to

Issa Diallo, arrived in representative will at least

Luanda last week to replace Alioune Blondin Beye, who "For example, it could say dled in an air crash in June. that if Unita does not combe given the chance to try to and get the process back on track," a diplomat in Luanda said. "But although we have been waiting for a major

Corruption trial puts Belgium's political system in the dock

The start today of the Agusta-Dassault court hearing has deep resonances for many Belgians. Neil Buckley sets the scene

general and the bead of Cone of France's biggest defence groups go on trial in Brussels today in a multi-million dollar corrupshaky Belgian political

Willy Claes, the former Nato chief and Belgian deputy prime minister, and Serge Dassault, head of Dassault Aviation, are among 12 defendants in the so-called Agusta-Dassault case, tion trial in Belgium's 168year history.

Alongside them are another former Belgian deputy premier, and two other former ministers, plus former lawvers and officials of the Socialist parties in both Belgium's French- and Dutch-speaking regions.

The defendants would have numbered 13, but for

and w. be in the following maturities:

Thursday, 10 September 1998.

and the amount tendered for.

the Italian helicopter maker.
The case centres on allegations that Dassault and
Agusta were awarded goverument defence contracts in

million dollars to the two party wings. But the trial has deeper resonances. Many Belgians mer senior politicians in the dock as further evidence that their political system is shot through with corrup-

paying bribes worth several

Confidence in public institutions is already at an all-time low after the mishandling of a paedophile murder scandal over the past two years. This culminated in the brief escape in May of the man at its centre,

Marc Dutroux. The trial could produce further damaging revelathe death from a heart tions for the ruling Socialistattack in Rome 11 days ago Christian Socialist coalition,

TENDER NOTICE

UK GOVERNMENT EURO

AND ECU TREASURY BILLS

For tender on 8 September 1998

Freasury of euro 300 million nominal of UK Government Euro

Treasury Bills and ECU 700 million nominal of UK Government ECU Treasury Bills, for tender on a bld-yield basis on Tuesday.

ECU 200 million of ECU Bills for maturity on 15 October 1998.

ECU 500 million of ECU Bills for maturity on 10 December 1988. euro 300 million of Euro Bills for maturity on 11 March 1999.

3. The tenders will be open to anyone who wishes to apply. All

request from the Bank of England or, in the case of the market makers listed in the Euro Bill Information Memorandum and the ECU

Completed application forms must be lodged, by hand, at the Bank of

England, Customer Settlement Services, Threadneedle Street London not later than 10.30 a.m., London time, on Tuesday

Each tender at each yield for each maturity must be made on a separate application form for a minimum of euro 500,000 nominal or ECU 500,000 nominal respectively. Tenders above this minimum.

must be in multiples of euro 100,000 nominal or ECU 100,000

Notification will be despatched on the day of the tender to

applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to

their account with Euroclear or Cedel Bank, Bills will be credited in the

relovant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at Customer Settlement Services, Bank of England after 1.30 p.m. on

Thursday, 10 September 1998 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005518 with Lloyds Bank PLC, Bank Relations, St George's House,

PO Box 787, 6-8 Eastcheap, London ECSM 11L. Definitive Euro Bills will be available in amounts of euro 10,000, euro 100,000, euro

1,000,000 and euro 10,000,000 nominal. Definitive ECU Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000,

ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000

7. Her Majosty's Treesury reserves the right to relect any or part of

8 The arrangements for the tender are set out in more detail in the information Memorandum on the UK Government Euro Treasury Et

Treasury on 7 July 1998, the Information Memorandum on the LIK

Government ECU Treasury Bill programme issued by the Benk of England on behalf of Her Majesty's Treasury on 28 March 1989, and

an supplements to the ECU Bill information Memorandum. All tenders will be subject to the provisions of the Information Memoranda (as

9. The cure 50 million of Euro Bills to be alletted directly to the Bank

of England for the account of the Exchange Equalisation Account will be for maturity on 11 March 1999. These Bills may be made

 Copies of the Euro Bill Information Memorandum and ECU Bill Information Momorandum (and supplements to it) may be obtained from the Menager, External Dobr, Foreign Exchange Division at the Bank of England (relephone number 0171 601 5982). UK

Covernment Euro Treasury Bits and UK Government ECU Treasury Bills are sound under the Treasury Bills Act 1877, the National Leans Act 1968 and the Treasury Bills Regulations 1968 as amended.

rogramme issued by the Bank of England on behalf of Her Ma

supplemented) and to the provisions of this notice.

available through sale and repurchase transactions to m

Tenders must be made on a yield basis (calculated on the of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid

enders must be made on the printed application forms availa

Bill Information Memorandum (as supplemented), by tel

er 1998. An additional euro 50 milition nominal of Euro

The allotted directly to the Bank of England for the account of

Bills to be issued by tender will be dated 10 September 1996

The Bank of England ennounces the lesue by Her Majesty's

of Raffaello Teti, former as it prepares for a general chief executive of Agusta, election next June.

as it prepares to a general election next June. Already, two defendants claimed last week to have received an offer indirectly from Socialist leaders that they would have their legal costs paid provided they did not "lay into" the party "The fact that former

party presidents, ministers, and a secretary-general of Nato are on trial will be seen as a symptom of the Belgian illness'," says Kris Deshouthe Free University of Brussels. "It will not be nice to watch. A lot of dirt will come to light." The sense of pervasive cor-

ruption is reinforced by the way the bribery cases were discovered. Investigations into the still unsolved shooting of André Cools, another former Socialist deputy premier, in 1991, turned up evidence of payments of BFr51m (\$1.4m) by Agusta to the Socialists.



around the time Agusta unexpectedly won a BFr12bn contract to supply 46 helicopters to the Belgian army. Examination of the Swiss accounts of a Panama-regisfront company

involved in the Agusta payments in turn uncovered gifts to the Socialists from Dassault. The French defence group won a BFr6.4bn contract in 1989 to ungrade Belgium's fleet of F-16 fighter aircraft by fitting them with Carapace anti-radar systems. The resulting scandal has

several times burst out of the confines of Belgium. Mr Claes, Belgian economics minister and a senior

Flemish Socialist when the The payments were made Agusta contract was

awarded, was forced to resign from his Nato post after only 13 months in 1995 vigorously protesting his innocence - as the allegations mounted against him. The Belgian investigation led to a probe of financing links between Agusta and the now-defunct Italian Socialist party, and the arrest of Roberto D'Alessandro. Mr Teti's successor as

Agusta chief executive. Mr Teti, who retired to Rio de Janeiro in 1989, spent months in a Brazilian jail before being extradited to funded. Belgium in 1996. Corporate gifts to Belgian

political parties were legal before 1989, provided they were not given in return for

magistrates of Belgium's Supreme Court – which normally hears only appeals but is judging this case since it concerns former ministers therefore to determine whether the payments really were bribes, and how much the defendants knew.

All the defendants deny wrongdoing, and none is accused of benefiting personally from the payments. The latter fact heighten the sense that it is as much the 1980s Belgian political system on trial as the individuals themselves. Pro

to get caught.
"It happens to be these two parties" on trial, he says. "But it was an absofirms would pay in return for projects in Belgium. There was a very thin line between legal and illega

contributions. He adds that the law has already been overhauled, making such payments a thing of the past. Corporate donations are outlawed, with political parties now publicly

In that sense, he adds, the trial really is of the Belgian political system of yesterday not today. Many ordinary Belgians may not so clearly favours. The task for the 15 discern the difference.

NEWS DIGEST

EGYPTIAN PRIVATISATION DISPUTE Cairo proceeds with hotel sale negotiations

Egyptian government of least are negotiating the controversial state of the

Controversy surrounds the sale as the government in 1990 signed 25-year lease with Wena Hotels, a UK-based hotel chain, for the company to operate the hotel. A dispute over the condition of the hotel led to the govern-ment reclaiming the property and using a variety of means

government has put up for sale as part of its privatisation

to elect the company and its personnel from Egypt. Wena is awaiting the outcome of arbitration by the Washington-based International Centre for Settlement of Investment Disputes. But since the government has oursued the sale of the hotel, in the face of Wena's lawyers legal opinion which deems the 25-year lease to still be valid, Wena is now preparing a case against the probable new owners. As several members of the consortium have global interests, the legal action is likely to be taken in Europe of the US, Nael Farargy. Wena's manger, said yes terday. Mark Huband, Cairo

CYPRUS CONFLICT

Confederation idea rejected

The Cypriot and Greek governments have sharply rejected a proposal by Rauf Danktas, the Turkish Cypriot leader, that the island's Greek and Turkish communities solve their-differences by coming together in a confederation that recognises "the equal and sovereign status of Cyprus's Greek and Turkish parts".

On Monday, Spiros Kyprianou, chairman of the Cypriot parliament, deputising for President Glarcos Clerides. described Mr Denktas's announcement as a way of "legalising Gyprus's division", which took place when the Turk-ish army invaded the north of the Island in 1974. Dimitri ish army invaled the norm or wis stant in 1974. Diffinition Reppas, a Greek government spokesman, dismissed it as "a ploy to win legitimacy for efforts to partition Cyprus" thtil Monday, when he announced his proposal in the company of Ismail Cern, the Turkish foreign minister, Mr Denktas was still officially committed to the bi-communal federation that has been the basis for negotiations between the two sides since 1977.

His change of heart is part of a strong Turkish Cypriot and Turkish response to the EU decision to start accession regotiations with the Cypriot government and put Turkey at the back of the queue of applicant countries. The Turkish Cypriots refuse to enter the EU along with the Greek Cypriots, unless Turkey gets in at the same time.

Christopher de Bellaigue, Ankara

GERMAN ECONOMY

Public deficit warning

The German Association of Private Banks (BdB) yesterday urged the Bonn government to bring down the country's public deficit and cut state debt. The call came on the eve of a two-day parliamentary debate on the federal budget. "High budget deficits and a rapidly rising mountain of debts are increasingly becoming a burden for business and politics," said Ulrich Ramm, chief economist at Commerzbank and head of the BdB's committee on economic and fiscal policy. Germany's public debt last year stood at DM2,210bn (\$1,248bn), or more than 60 per cent of gross domestic product. This had forced all levels of government to spend more than DM135bn on interest it about 16 per cent of total tax revenues, the BdB said. Mr Ramm criticised plans by Theo Walgel, German finance minister, to maintain a public deficit until at least 2002, when it is estimated to stand at 0.5 per cent of GDP. "Given growth forecasts of 2.5 per cent annually, it should be feasible to achieve a balanced budget in three years' time," he added. Tobias Buck, Bonn

PUBLIC SECTOR WAGES

Israel to freeze salaries

Benjamin Netanyahu, Israeli prime minister, yesterday said he intended to freeze salaries of parliamentary deputies, senior civil servants and managers of state-owned companies ahead of difficult public sector wage negotiations. The announcement reflects growing concern by the finance ministry and the Bank of Israel that public sector demands by the Histadrut trade union organisation may push up inflation. Nominal wage agreements have in the past been concluded on the basis of predictions of rela-tively high inflation, often resulting in real wage increases. Real wages per employee rose 2.5 per cent last year. ted this year. Judy Dempsey, Jerusalem

FRENCH WINE EXPORTS

Sales to Japan rise

The financial crisis in Japan has failed to spoil its inhabitants' taste for French wines, according to first-half export figures from the Federation of Wines and Spirits Exporters, sed yesterday.

The organisation yesterday described as "extraordinary" the 83 per cent increase, to FFr2.6bn (\$436m) in exports of champagne, wines and spirits to Japan, making it the biggest market behind the US and the UK. The surge in es to Japan helped offset a 48 per cent decline in sales by value to Hong Kong and a 51 per cent fall to Talwan, leaving total exports to Asia ahead 6 per cent.

The total value of exports of wines and spirits rose 18 per cent to FF:20.2bn, although this masked a 6 per cent decline in the value of shipments of spirits, mainly cognac and armagnac. Mark Mulligan, Paris

Suez Lyonnaise des Eaux

French group wins US contract

Suez Lyonnaise des Eaux, the French utilities group, has added Atlanta, Georgia, to its US presence with a contract to collect and distribute drinking water to the city's 1.5m inhabitants. The company said yesterday that its United Water Services Atlanta joint venture had beaten a field of bidders to operate and maintain the city's water treatment facilities and 4,500km of mains and feeder lines. The contract, which needs final approval from the

Atlanta City Council, is the largest of its kind awarded by a US municipality, according to the French group. It forecasts annual revenues from the project of \$23m-\$25m. The French group, formed through last year's merger of Suez, the conglomerate, and utilities group Lyonnaise des Eaux, has been aggressively looking for opportunities in the US since legislative changes in May last year made it easier for municipal governments to extend management contracts. Mark Mulligan, Paris

Khartoum to probe ownership of factory targeted by US

investigate the ownership of government asked him to that "Osama bin Laden has a pharmaceutical factory in the capital which was destroyed in a US missile attack on August 20 amid US allegations that chemical weapons were being manufactured on the site.

ernment claims that the al-Shifa factory is linked to Osama bin Laden, the Saudi Arabian dissident whose headquarters in Afghanistan was attacked at the same Mr bin Laden, who has passed to the current ownlaunched a violent campaign

to force a US military with-drawal from Saudi Arabia, after President al-Bashir Sudan's government is to lived in Khartoum until the stated at a press conference leave in 1996.

terday he had formed a committee to establish the identity of the factory's owner. apparent paucity of US evi-According to the Sudanese dence to justify the attack by Sudan has denied US gov- newspaper Al-Jumhouria, adopting a transparent the committee will be headed by a senior judge with the aim of investigating "the ownership of al-Shifa pharmaceutical factory, how it was set up and financed time as the Khartoum strike. and how its ownership

no shares in this factory". Omar Hassan al-Bashir, Sudanese officials have Sudan's president, said yes- made it clear who they believe the owner to be, but remain keen to exploit the approach towards the issue.

ing mission to Sudan to been widely criticised for the bombed factory.

dence that the factory produced precursors for VX nerve gas. Soil samples the US says were taken from the site before the attack are of uncertain quality as proof, independent scientists have Determined to further dent US credibility, a Sudanese

offering unconvincing evi-

delegation yesterday defied UN sanctions on Libya when The government's inquiry it flew on a Sudan Airways follows what amounts to a flight direct to Tripoli at the refusal by the United invitation of Muammar Nations to send a fact-find- Gadaffi, the Libyan leader. The flight took place as establish the truth about the Taha Yassin Ramadan. factory's role. The US has Iraq's vice president, visited

bas had precisely the oppo-

Price rise boost to drugs index

generic drug, Lorazepam, lifted the US producer price index by 0.2 per cent in May and further boosted the growth in sales of prescription drugs in the world's

the healthcare information company, US prescription drug sales rose by 11 per cent in the year to May. The US drugs market has been expanding rapidly, driven by the newly legalised advertising of branded prescription drugs on television and by the take-off of the antiimpotence drug. Viagra.

However, in May, generic per cent. These price rises drug price rises contributed have sparked an investigasignificantly to the 17 per cent rise in sales of central nervous system drugs.

cals by 10.7 per cent compared with the previous month, were concentrated among minor tranquillisers,

rose by 585 per cent. The US Labour Depart-ment said that a single drug Watson, and a 99 per cent the prices of seven of its

tion by the Federal Trade Commission, which is considering whether Mylan has cornered the market for the drugs' raw materials. However, Mylan has not

through extraordinary price rises on elderly, and unprofitable, generic drugs. Other examples are a 316 per cent increase on generic

Meanwhile, the govern- system drugs reported the

site effect. According to IMS, the country's total prescription drugs market contracted by 4 per cent in the year to May. This has been reflected in company results. Hoechst Marion Roussel and Bayer of Germany are just two of the pharmaceutical companies to have reported serious setbacks in their drug sales as a result of the

Japanese price cuts.
In Europe, the average growth in the region's five largest markets remained steady at 5 per cent. Across the 13 largest drugs

markets, central nervoi

The price increases, which lifted the producer price index for US pharmaceutibeen alone in pushing

largest drugs market. According to figures published today by IMS Health,

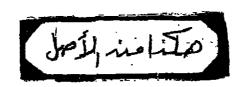
for which the price index

was responsible for the rise. rise in the codeine from Dur-Lorazepam is an anti-anxiety amed. IMS now predicts "a drug produced by Mylan substantial rise" in the US Laboratories. Since last sum- producer price index for mer. Mylan has increased pharmaceuticals this year.

generic drugs by up to 1,000 ment-mandated price cuts on most rapid growth.

Yorld retail pharmacy purchas	es -
2 months to May 1968	-

World retail pharm	acy purcha	ises										
12 months to May 1998		-	_		: - :		-	· '-			' ' '	``
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Cardiovascular	13,086	7,286	3,805	3,545	1,985	· 1,577	1,080	1,112 -	1,024	F02	247	
Alimentary/filetaholista	11,120	1,605	2,368	2,026	1,291	1,467	1,128	. 778	- B46	815 ·		457
Cestral Marvage System	14,736	2,423	1,757	1,823	961	1,346	858	744	740	· 400 .	- 367	179
ASU-Indecitora	6,941	4,506	1,263	1,540	1721	453	762	3 11 -	· · 294 ·	- 402	B3A	196
Respiratory	7,035	2,493	1,391	1,283	. 689	1,150	712	515	- 362	291.	357	335
Genito-unitary	4,611	823	272	776	. 442	- 444	602 ·	194	228	227	- 105	110
Musculo-dialetal	2576	2,719	951	149	477	443	581	. 241	- 180	234	205.	79
Others .	9,382	12,772	2,993	1,770	1,572	· 1,854	1,136	797	706	· 004	954	444
Total	62,861	39,665	14,500	13,372	8,315	7,854	6,765	4.55	4,212	3,366	214	2.907
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AVERTEMBER 1 1998

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MICROSOFT ANTITRUST CASE

Government broadens its attack

By Louise Keboe in San Francisco and

The US Justice Department has raised the stakes in its antitrust case against Microsoft, the world leader in personal computer software, with broad new allegations of attempts to stymie compe-

After nine years of antitrust investigations and litigation, Microsoft is now facing very broad charges that it has, on several occasions, adopted illegal tactics in its attempts to maintain a dominant position in the personal computer software market. in yesterday's court filing.

the department said the company engaged in "a broad pattern of anti-competitive conduct designed to eliminate competition, to maintain and strengthen Microsoft's core monopoly over PC operating systems, and to monopolise key applications markets".

The case, which initially was focused on the so-called "browser wars" between ment was no longer confi-Microsoft and Netscape Communications - the battle for the initial case focused on market share in the emerging internet software field - kinds of collaborative discushas now been widened to encompass several other monplace throughout the aspects of Microsoft's business practices.

In addition to allegations suade Netscape to co-operate in "divid[ing] the market" for browsers, the governputer, the PC industry p: ncer, and a small company called Real Networks.

operating system to make competing products work, or appear to work, less efficiently with Windows than its own software, the government charged. This amounted to a "pattern of predatory conduct", the gov-

ernment claimed. in another example of alleged anticompetitive state's Republican party, Mr behaviour, Microsoft is accused of setting out "to eliminate the potential threats posed by Netscape and Java".

Java, a programming lan guage developed by Sun Microsystems, posed a threat Microsoft because it enabled programmers to write software that would run on all types of computers. Microsoft entered into a series of agreements with customers and competitors to restrict the use of Java and to substitute its own version of the language, the government said.

Microsoft vigorously denied all the new allegations, which it said were included because the governdent of its ability to prove the Netscape battle. "These sions and efforts are comindustry and are to the benefit of consumers."

In its court filing yesterthat Microsoft tried to per- day, the US government based its arguments in large part on Microsoft's internal documents and interviews ment claimed Microsoft had with its executives. But it conducted similar discus- accused Microsoft executives sions with Intel, the world of "an astonishing lack of chip leader, Apple Com- recall" when questioned about their own evidence.

Microsoft, in response, said its executives had co-op Microsoft had also used its erated to the best of their control over the Windows abilities with investigators.

NEWS DIGEST

MIXED SIGNALS ON ECONOMY

US manufacturing sector continues to slow

The US manufacturing sector slowed in August for the third consecutive month as the Asian crisis kept hitting exports, but there were also signs yesterday of increasing economic activity in other sectors. The Purchasing Managers' Index stood at 49.4 per cent in August, up slightly on July's 49.1 per cent but still indicating a slowdown. Meanwhile, the US construction sector was yesterday

reported to be buoyant by the Commerce Department, with spending rising 0.4 per cent in July from June, to a record high.

In addition, the index of leading indicators, which gives an idea of future economic activity, rose 0.4 per cent in July due to the then-rising stock market and the settlement of the General Motors strike. The 0.4 per cent rise followed a 0.2 per cent decrease in June. However, the Conference Board, which issues the indicators, said recent declines in stock prices would "more than reverse this effect in the next release". Adrian Michaels, Washington

BRAZIL BUDGET

Doubts over growth forecast

The Brazillan government has published federal budget proposals for 1999 implying economic growth during the year of 3.9 per cent. The estimate is higher than that of most independent economists and was understood to be an attempt to signal the government's commitment to bringing public spending under control. But economists doubted the government could meet its target.

"It's a very optimistic projection of growth," said Mauro Schneider, of ING Barings. "Slower growth will inevitably lead to lower tax receipts. Once again the budget proposal

looks more like a piece of fiction than reality." The growth of Brazil's budget deficit, running at about 7 per cent of gross domestic product, is one of the biggest causes of concern over the country's ability to withstand the current turmoil on world financial markets. According to the budget proposal, which must be approved in Congress, federal spending will rise to R\$187.8bn (US\$160bn) from R\$181.4bn this year. Jonathan Wheatley, São Paulo

MEXICO CITY

Shake-up for police force

Mexico City's new police chief has announced plans to reorganise the police force in a shake-up intended to tackle the crime wave that plagues the city and damages the image of governor Cuauhtémoc Cárdenes, presidential

Public clamour about continued insecurity in the Mexican capital of 8m people is the leading issue on which Mr Cardenas will be judged as the first opposition party govemor of Mexico City. He hopes to use the post to launch his candidacy for president in the July 2000 national elec-

Alejandro Gertz Manero, in his first action as police chief, handed supervision of municipal police to Ricardo Pascoe, appointed mayor of Benito Juárez district on Monday. Transferring police supervision to the 16 districts is part of a drive to bring the police closer to local government and citizens' groups. Lucy Conger, Mexico City

On the web today Brazil: Pioneers try to maintain a head of steam in boom state US: College intake's ethnic mix grows http://www.ft.com/americas

THE AMERICAS

Forbes lays claim to legacy of conservative grandees

Mark Suzman on why a prospective presidential candidate decided to surrender centre-stage to a former British premier

on a high spending televi-

sion campaign and finished

a distant third, effectively

killing his candidacy.

der the limelight to anybody, and virtually unprecedented to do so for a foreigner.

But last month Steve Forbes, the publishing magnate, happily did both on a trip to Des Moines, Iowa. Even more bizarrely, at the conclusion of the hour-long lunch with the cream of the Forbes's political stock had risen tangibly.

Both the uncharacteristic behaviour by Mr Forbes and the curiously favourable response of his audience was very much due to the foreigner in question: Margaret Thatcher, former UK prime Although Lady Thatcher is

largely out of fashion in her native Britain she remains deeply popular in much of the US, in part because of her association in the public mind with Ronald Reagan, fellow cold war warrior and beloved former president. It is a connection that Mr

t is rare for prospective Forbes was quick to high- many pundits he did not presidential candidates try-ing to drum up support in the US heartland to surren-the US heartland to surrenera, the 51-year-old businesslearn from his mistakes and man sought to use the occa- is all but certain to make sion to lay claim to the Gipanother bid for the presidency in 2000. per's political legacy. "I

believe in the principle And rather than relying sonified by Lady Thatcher and Ronald Reagan," he on the media, this time the nascent campaign will said. "If we follow their prinrevolve around a new grassroots advocacy group called Americans and the world Americans for Hope, Growth will benefit.' and Opportunity, which It is a bold ploy by Mr already claims to have Forbes, who remains best 120,000 members.

At the same time Mr known for his quixotic promotion of a "flat-tax" during Forbes has been patiently retooling his message to try to appeal to a broader audithe 1996 election. While his campaign held some appeal ence in the way that Mr Reafor the fiscally focused taxcutting wing of the party, it never found a broad base of gan did. Although he remains a support. In Iowa - which

strong proponent of the flat holds the first presidential tax, he is now seeking to combine it with a string of caucuses every election year and is the traditional makesocial initiatives. A key element of the new or-break state for many candidates - Mr Forbes relied

approach is Mr Forbes's decision to shed his previous low profile on religious issues and take a strong stand against abortion. Earlier this But to the surprise of year he won plaudits from suasive. This time he's national credentials. "I've



party elite have decided to

back him yet, but they are

rightwingers when he was changed his message and almost the only senior has spent a lot of time trying Republican to back a controversial - and unsuccessful proposal to deny party funds to candidates who countenanced late-term abortions.

Now he is trying to test out his new approach in middle America, and the early signs are promising. In preliminary state-wide polls among Republicans likely to vote in 2000 caucuses in lowa he is running second only to George Bush Jnr.

"In 1996 Forbes came into a commitment to the party the race late and was unper-while showing off his inter-

never seen people leave a fundraiser so happy," admit ted John Maxwell, a political to reach out to the pro-lifers," observed one party officonsultant. And more importantly for cial. "I don't think the local

now looking more favourafully phrased endorsement from Lady Thatcher ringing bly at the possibility of a Forbes candidacy." in their cars: "Reagan con-By bringing in Lady servatives, Thatcher conser-Thatcher for the state's most vatives and Forbes conservasuccessful fundraiser ever tives all believe in the same fundamental things." raising \$500,000 for November's state elections - Mr Forbes also strongly helped his cause by demonstrating

It remains to be seen whether her listeners will agree in 2000, but for the first time many at least seemed willing to entertain

Mr Forbes, those smiling

Republicans left with a care



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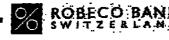
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Over the past 10 years,



CITY OF LONDON REGULATION

NEWS DIGEST

Unit trust manager fined

The Investment Management Regulatory Organisation has

ordered Abbey Unit Trust Managers to pay fines and com-pensation totalling £590,000 (\$973,500). The action against

Abbey, part of the Lloyds TSB group, is the latest in a

series of fines for poor administration imposed by Imro on unit trust managers. "The overlying message is that firms must recognise the importance of back office administra-

tion and the potential for customer loss." said Judy Dela-

£168,000 to 7,090 customers as compensation for delays

in banking customers' cheques, in dealing with applica-tions and in sending out sales proceeds. The manager has paid an additional \$272,500 to correct mistakes relating to

its four personal equity plan unit trusts. The group said the

problems, between December 1995 and July 1997, coin-

cided with a marketing promotion, Imro said it had fined Abbey a "fairly high" £150,000 because customers had

from the Chartered Institute of Purchasing and Supply. But

Almost 40 per cent of manufacturers reduced output over

the past month, said the survey. Only a third as many companies stepped up production. The drop in production

is in response to a further weakening in domestic demand

falling since May last year, in the face of sterling's strength

and the Asian crisis. August's decline was the second bla-

gest recorded since then. Robert Chote, London

'2000 bomb' policy launched

A Lloyd's of London syndicate yesterday launched an

insurance product to cover financial institutions against

losses stemming from the so-called millennium computer

bomb. "This product is an attempt to provide our clients

with the coverage that they need rather than ignoring the

respond," said William Knapman, an underwriter with Syn-

dicate 839, which is managed by Archer, one of Lloyd's

biggest managing agencies. The move comes as many

insurers are introducing clauses to prevent claims after

2000. Syndicate 839 was helped by Reynolds Porter Chamberlain, the law firm, and computer expertise came

from Amsec International. The millennium bomb refers to

the inability of older computer systems to distinguish between the 19th and 20th centuries. Jim Keily, London

problem and hoping existing traditional policies will

and export order books. Export order books have been

iost money. Jean Eaglesham, London

Factory output falling fast Factory output is falling at its fastest rate for at least six and a half years, according to the latest monthly analysis

consumers still appear willing to spend and borrow.

THE ECONOMY

INSURANCE

force, head of media relations at Imro. Abbey has paid

for poor administration

Sinn Féin pledges to help end violence

London and Dublin

ting his party to making violence "a thing of the past,

The statement falls short went further than ever before to renounce republithe political wing of the IRA. out of the UK.

over, done with and gone". of declaring that the Irish two days of emergency Republican Army's war is debate, is intended to crack over, as unionists have down on a handful of fringe demanded, but Mr Adams terrorist organisations in

lation aimed at rooting out Gerry Adams, the Sinn Fein the Real IRA, the breakaway president, yesterday offered paramilitary group which consent of the Attorney Genan olive branch to Northern claimed responsibility for Ireland's unionists, committee the deaths of 28 people in last month's Omagh bomb. The bill, to be scrutinised

today by MPs who have been recalled to parliament for Northern Ireland and make life harder for international can violence. Sinn Féin is terrorist groups operating

One unexpected clause is

On his trip to Russia,

which precedes the Irish

accompanied by four mem-

James Steinberg, Mr Ber-

ger's deputy at the National

Armagh before heading south of the border - has

They are to "pay tribute to

the agreement possible": to

Ireland ranks high among

Clinton's global priorities

The peace process is seen as a foreign.

Stephen Fidler reports from Washington

ica Lewinsky. President Bill cess.

Clinton had an extensive

telephone conversation with

Ireland and its effect on the

peace process ~ lasted half

an hour, according to British

Samuel Berger, the presi-

adviser, the next day tele-

policy success, despite difficulties elsewhere.

The day before testifying administration remains com-

to a grand jury about his mitted to what it sees as an

relationship with Mon- important foreign policy suc-

Tony Blair, the UK Prime visit, Mr Clinton is being

The call - concerning the bers of Congress, two from

legislators.

previous day's bomb attack each house. In Ireland, he

in Omagh in Northern will be joined by a further 17

officials, even though Mr Security Council, says the

Clinton's lawyers were visit - which in Northern

reportedly anxious to Ireland will take in Belfast,

rehearse the following day's the capital, Omagh and

phoned Irish leaders includ- the courage and determina-

ing Gerry Adams, president tion of the leaders and the

of Sinn Fein, the political people of Northern Ireland

wing of the Irish Republican and the republic for making

The calls, and Mr Clinton's show support for the new

and south of Ireland, reveal cially the assembly; and to

dent's national security three main purposes.

side the UK will require the Féin on its actions.

Sinn Féin's move, timed to coincide with President Bill Clinton's visit to the region tomorrow, was welcomed as a significant advance by governments of the UK and Republic of Ireland.

David Trimble, Northern Ireland's first minister and leader of the Ulster Unionists, the biggest pro-British party in the region, was more cautious. "Carefully

nomically by helping to

Asked if the US would

attract investment and jobs.

press for a meeting between

David Trimble, first minister

in the new assembly, and Mr

Adams, Mr Steinberg said it

was important for all of the

parties to the peace process

to begin to work together.

"We would certainly hope

that Mr Trimble and Mr

Adams have a chance to

The UK government has been seeking US help in a

number of areas following

the Omagh bombing. Wash-

ington quickly revoked the

visa of Bernadette Sands-

McKevitt - sister of IRA

hunger striker Bobby Sands,

who died in prison in 1981 becoming a republican folk

hero - and making clear

that members of her 32

County Sovereignty Move-

ment would not be welcome

viewed by the US as the

political mouthpiece for the

Real IRA, the perpetrators of

the Omagh bombing in

meet," he said.

David McNarry, a unionist

assembly member and a leading member of the Protestant Orange Order, said: "It's a start, but we've heard this before. It's probably a bit of window dressing day, the UK government before the Clipton visit." Mr Adams' declaration

"without equivocation" and called on all sides to ensure that it was "the last violent incident in our country".

unveiled anti-terrorist legis- involvement in a conspiracy that the people of Northern the past, over, done with and due to debate similar to commit a terrorist act out. Ireland would judge Sinn gone. In particular, the two governments have the printhe party leaders. I am com- tions against renegade Sinn Féin," Mr Adams said.

> In the draft anti-terrorism legislation published vesterappeared to have responded to civil liberties concerns. condemned the Omagh bomb The law will be subject to annual renewal and the evidence of a police officer on membership of a proscribed organisation will require fur-

ther corroboration. The Dail, the Irish

as the UK government that all prosecutions for enough," he said, adding for all of us now a thing of national assembly, is also legislation, giving powers to cipal responsibility, as do the police to bring prosecumitted to play my part, as is republicans and other groups opposed to the peace

> Unlike in the UK, there has been little opposition to rights grounds. The Irish government, sensitive to suggestions the Real IRA was organising its activities in the republic, was first to outline the proposals. Which were then matched by the

Out of the rough: welcome posters in Ballybunion, in the Irish republic, where Mr Clinton is expected

tration to use its undoubted influence with Mr Adams to press him - and the IRA on two important questions. in the US. That group is The first relates to the "decommissioning" of weapons, a subject that has taken on added weight after

visit this week to the north political arrangements, espe- which 28 people died and The second is to persuade more than 200 were injured. Sinn Fein and the IRA to rare interview which will should do so sooner rather

urged the Clinton adminis- believed to hold that could Phoblacht-Republican News, help track down the bomb- the Irish nationalist weekly

> already have made these already emerged.

> IRA leader has given a

tion in US newspapers. He points - and that Mr Clinton denied that the IRA had any may be expected to repeat link with those responsible them either privately or pub- for the Omagh bombing and licly on his visit - has calls for the breakaway group to disarm. "They

BA-AMERICAN AIRLINES ALLIANCE

Charter groups join slots battle

The UK's charter operators have joined the battle to prevent British Airways and American Airlines receiving financial compensation for London take-off and landing slots they are being asked to give up. The UK Office of Fair Trading and the European Commission have said BA and American should give up 267 weekly slots at London's their planned alliance. The OFT said they should be allowed to sell the slots while Brussels insists they be given up for free. The charter airlines - including Britannia, Airtours International and Air 2000 - say BA and American are like tenants rather than freehold owners of the slots. They add that if BA and American were certain they owned the slots they would have valued them on their balance sheets. Michael Skapinker, London

'Chronic safety problems' found at nuclear plant

Executive said yesterday. Energy Authority, which operates it, needs to invest

Scotland has uncovered inspector of nuclear installawhich needed to adopt fully is currently safe. But the targets "rather than attempt-

The report's main finding sioning of the site", Mr Wil-

"considerable effort, time concerned management and liams said. and resources" to bring it up technical shortcomings and The audit also criticised report said. "While HSE is ation and processing activi-An audit of the Dounreay to standard, said Laurence their impact on decommis- an "overdependence" on con- satisfied there is no immi- ties will not resume until the nuclear plant in northern Williams, the HSE's chief sioning. It said "organisa- tractors for many key func- nent danger, it is suspect inspectors agree that an ade-"many chronic safety prob- tions. A culture change was the UKAEA over the last the clear control of UKAEA, ating plants without clear made. lems", the Health and Safety needed at the UKAEA, four years have so weakened The watchdog said the site the necessary standards and cal base at Dounreay that it developed a comprehensive United Kingdom Atomic ing to do the minimum nec- tackle what is now its princi-

tional changes made within the management and techniis not in a good position to pal mission - the decommis-

Omagh.

tions which should be under There was also concern that the UKARA had not yet risks," it said. strategy for dealing with radioactive waste.

cycle area ranged from the

that UKAKA had been operknowledge of some of the

that left the fuel cycle area Conditions in the fuel without its normal electricity supply for 16 hours. The

The UKAEA said it took the report very seriously. It The audit of the site began plans to publish a proon June 1, after an incident gramme for implementing the work recommended in the report by the end of

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OBITUARY SIR GORDON NEWTON

A great editor who took the FT from City into the wider world

Sir Gordon Newton, who died on Monday at the age of 90, was one of those rare career can be summed up in three words: a great editor.

At this singular activity. in 22 remarkable years, he showed consummate skill and achieved unquestioned success. He turned the Financial Times, his consuming interest, from a City sheet selling 50,000 copies a day into a world-ranking reonomic and political newspaper with almost four times Views inevitably differed

on Newton the man, but his admirers (who were legion) and his critics (who were few) thought alike of Newton the editor. He was intuitively, painstakingly brilliant at his job; and his powers of hunch and unremitting, dedicated concentratron had their full reward.

ground gave an indication of his future career. He was born in 1907 into a business family (the company made in the pre-war slump of the 1930s), which might seem truth Newton had no great instinct for business. The prime lessons he learnt from his own commercial career were these of failure.

his father's company. Newton on his own just survived the rough-and-tumble of making mirrors for furniture his genius, like his educain Bethnal Green. But then tion, did not reside in literahe lost his capital completely

in retailing car accessories. powerfully have reinforced But to those who knew him only as a great editor, those feature, a Lex note and an early days were a closed editorial all in one day.

book. Newton rarely talked about himself. When he did it was a surprise to learn that he was a science scholar appropriate for a future at Blundell's, a renowned schoolboy runner, and a talented violinist

Gordon Newton in 1950 shortly after he had been appointed editor His capacity for hard work

Even the fact that he had been to university (to read economics at Cambridge) was not obvious to all the After the bank took over young men and women he recruited from Oxbridge. ably a journalist of genius, ture. As an editor he wrote few words - and those with These experiences must difficulty. Yet when he landed a post on the then Newton's innate competitive Financial News (at the age drive, developing his lifelong of 28, after a dispiriting spell identification of success with of slump-time job-seeking), out of the army. He became measurable achievement, he rapidly became a writer. a distinguished gunner, and nothing short of that. He would recall that he had entrusted with the proximity often written a news story, a fuse that shot down the German doodlebugs as they

was reflected in his rapid promotion - a policy that, later on. Newton as editor loved to apply to others. He when he enlisted in the Territorial Army and began another successful career as a wartime soldier. But his clearly (and very high) connections with the news- among the existing, more paper were not broken; a general quality dailies. third of his salary (2750 a year when be left) was paid. in pound notes, throughout his army service. His FN boss, Brendan Bracken, then at Churchill's right hand, noticed and approved when Newton, newly commissioned, refused a special mission from Downing Street that would have taken him

reached the English coast.

After Bracken engineered the merger of the Financial News and Financial Times in 1945, the demobbed Newton again filled important jobs. But Bracken's inspired choice of this 42-year-old to edit the merged paper in 1949 was apparently less than obvious to his contemporaries. Certainly, Newton's innate toughness was severely tested in those early, difficult, 14-hour working days: the effects on his personality were still visible in the 1950s.

Taut, tooth-tapping, and laconic in conversation, he was not easy to know, and often not easy to work for especially if the work slipped below his perfectionist standards. Yet Newton was far from being an abrasive character. To anybody in personal trouble, or to whom he had been harsh, he could be kindness itself.

That was only one of the many Newtonian paradoxes. His whole career, unique among the newspaper editors of his time in several respects, was paradoxical. He worked all his life outside the mainstream of Fleet Street, yet turned a specialised paper into one that earned mainstream respect; and that, despite its specialisation, came to rank

He devoted himself almost entirely to the affairs of the FT, yet his influence extended far beyond its pages and its direct impact. partly as a result of his recruitment and development of gifted young writers. Their distinguished subsequent work as writers and editors, within the paper and outside it, or as politicians, managers or bankers, must stand as another lasting monument, alongside the FT itself, to Newton's excep-

years after his retirement by those whom he had hired and inspired.

The commercial and editorial success that followed, of alone: in fact, he tended at all times to deprecate any cult of his own personality. He worked closely with Brendan Bracken; not until the latter part of Lord Bracken's life, dogged by terrible illness, did their relationship deteriorate, as the editor came to resent what he saw as his chairman's obstructionism. The relationship with Lord Drogheda, the chief executive during Newton's editorship and for some years thereafter, was not free from creative tension but it remained productive

throughout. In another paradox, the aristocratic, cultured charm incompatible with the editor's plain-man, all-business exterior. But the two men. and with them the editorial and commercial sides, were always in harness, never in competition, as they exploited the long post-war rise in business and financial advertising that underwrote Newton's progressive, never-ending improvements

in the paper. That harmony accurately reflected Newton's extreme pragmatism. As an editor, he was totally absorbed in practical details of production and lay-out, news and coverage. He never forgot his first duty was to the readers of the next morning's paper; he would simply ignore any diversion that might conflict with his primary tasks. His desk always seemed empty. his door open. Meetings with him were nearly always the start of the 1960s, with

their loyalty. Only his ill have time for a leisurely health eventually brought stroll in and out of the an end to the annual dinners offices, peering over a jour-held in his honour for many nalist's shoulder with his legendary question: "What broader and more stimulat-

The answer seldom stimulated any very informative discussion. But Newton filled by some of the best acquired an equally legendary reputation as a judge of what the journalist eventually produced. He rarely gave much reason for disliking a paragraph or rejecting a whole piece - if necessary, again and again: but his writers came to recognise that he was almost invariably right.

Right or wrong, anyway, there was seldom any point in arguing. Newton knew his own mind, and he knew how

Newton never forgot his first duty was to the readers of the next

morning's paper

to run an office where political bickering and infighting were pointless. He was quick, decisive and critical in handling copy and correspondence alike: and departmental heads were supposed to follow suit.

Because his life was so dominated by the FT in particular, and by the craft of newspapers (which he read. avidly) in general, Newton tended to have narrow personal interests.

One aspect of this was that he never took a close interest in the affairs of the City - a somewhat anomalous feature in the editor of a financial paper. However, at short, sharp and to the the appointment of a womtional talents. And he earned point. He always seemed to en's editor and a general

matter, Newton proved himself well able to lead in new, award for journalist of the ing directions. Previously, this ability had been only hinted at by the arts page,

critics writing in London. Newton's neo-Spoonerisms were famous - "tert" for a short, concise piece: or "insinnuendo"; or, to describe the amount of work supplied by one foreign correspondent, "it wouldn't get through the eye of a came!". Yet, on reflection, these assaults on the language give a clue to Newton's hrilliance as a journalist: completely by instinct, he put across a thought, and made his point in a manner that was more personal and more compellingly alive than the most gifted of writers could have achieved by delibera-

That, in the end, was the key to his success with the FT. The points were made, the information conveyed as much wider. For British directly and concisely as Newton could achieve by using all the techniques of professional journalism. His intuition told him what his readers in the new professional classes (in management and elsewhere) wanted to know. His professional skill supplied these wants. The readers, the market for advertising, Newton and the paper seemed made for each

That is the crowning tribute to the editor's achievement in 22 years that saw not only a succession of tremendous events in the worlds covered by his newsnaner but also witnessed a transformation in British business life, out of darkness into the light of increasingly ton's FT played a leading

He richly deserved his 90th birthday last year.

loosening-up of the paper's three honours - a knight-writing style and subject hood in 1966, when he also received the Hannen Swaffer year, and a Granada Television special award in 1970. two years before his retire-

> Characteristically, outside the FT his role was restricted. Newton undertook a review of the Central Office of Information for Edward Heath (now Sir Edward) in 1970, and served on the Committee on Privacy set up that year. He took up two chairmanships on leaving the FT in 1973 (of a City conglomerate, J H Vavasseur, and London Broadcasting). But both appointments brought more grief than gratification. However, his lifelong passion for fishing was admirably suited for his retirement to Bray in Berkshire. Gordon Newton married

Peggy Warren in 1985 and

they had one son: they both

predeceased him. But in

truth his family extended

financial and economic jour-nalism in the second half of the century, Sir Gordon Newton was the unchallenged father-figure; although that is a title and a phrase he would probably have detested - and deleted. in 1987 the FT gave a dinner to celebrate his 80th birthday. Speaking entirely without notes, for he was by then almost blind, Newton gave the most memorable of speeches. His theme was the independence and integrity of the newspaper, and its potential for the future. The experience finally led him to write his memoirs. Originally his thought was that they might be published posthumously, if at all. They were privately printed under full exposure, in which New- the title "A Peer Without Equal" - another noted Newtonism - just after his

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Charter groups join slots bat

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OPERA PESARO

Rock 'n' Rossini

The festival is trying to cultivate a younger audience, writes Luciano Chianese

the Rossini festival in Pesaro which Rossini's taste for was a mixture of courage quirkily tossing the tune and caution: the three operas were tailored to the tastes of seasoned opera sion. fans, while trying to gain the favour of a broader audience. The highlight was beautifully delicate and pre undoubtedly Luca Ronconi's new staging of La Cenerentolo, a work which, for all its undoubted popularity, had not previously been performed at the festival.

Despite his reputation for heavyweight stagings. Ronlight, comical approach to the opera, but could not resist stealing the show in the scene changes. After the opening scene, Margherita Palli's entire set, bristling with bric-a-brac, was magically lifted into the air to make way for the lavish prince's palace, leaving the audience gasping at the technical virtuosity of it all. Particularly striking was the point at which Angelina shot up the chimney, emerged in full ball regalia at the top, and was carried off by a huge white stork. By the fourth scene change, however, one's patience was tried by the lengthiness of the whole process.

Carlo Rizzi conducted the ORT Orchestra della Toscana with a keenly-focused eye for the colour and detail that characterise the Pesarese master's writing. Given the poor acoustic of the Palafestival, however, the sudden crescendos often fell victim to the warehouse-like structure of the building.

This year's programme at during the choruses, in between voices and orchestra was given full expres-

In the title role, Vesselina Kasarova stood out for her cise singing, while her rich, versatile voice coped equally well with the broad range of pitch required of the part. As a flamboyant Don Magnifico, Bruno Praticò steered his character along the dividing line that separates the crediconi artfully maintained a ble from the ridiculous, managing to be comical as the crawling courtier, severe as the authoritarian father and touching as the thwarted father-in-law to the future king. Although at times drowned by the more powerful voices of the rest of the cast, Juan Diego Florez's Don Ramiro stood out during his solos as having great expressive potential, backed by rare technical mastery. The same cannot be said

of one of the festival's other leading tenors, Paul Austin Kelly. His Rodrigo in Otello may have stood his ground in terms of volume, but his grating tone and occasionally errant rhythm drew hostile cries from less clement members of the audience. With Bruce Ford in the title role and Charles Workman as lago, this staging of Rossini's tragic opera had promised much. But the real justification for reviving the festival's 1988 production apart from giving a second run to Pier Luigi Pizzi's fine sets - was Mariella Devia as



pitching her top C sharp in in music from the classical the final act effortlessly, but repertoire. Dubbed a "teenshe also managed to steer clear of the temptation to over-romanticise the part. audience: it represents The result was clearly in another attempt to bring line with the historical period that bridges bel canto and Verdian melodrama.

One wonders how many of the festival's traditional all-round sound diffusion. audience attended Isabella, Azio Corghi's new opera Rizzi's full powers emerged Desdemona. Not only did she effort to bridge the abyss fragile nature of the original

opera". Isabella left no one in doubt about its target opera to the so-called

THE ARTS

In a disco-dark atmosphere of strobe lighting and fast sequences given addidazzling special effects helped to distract attention inspired by L'Italiana in from Corghi's static score, the new opera lacked any Algeri. This was a valiant which tended to reveal the form of credibility or person-

plot rather than breathe new life into it. Corghi's music inevitably paled before the passages taken from Rossini's opera, which cropped up frequently, and the combination of new and old did nothing for either. Only at a few isolated moments was the virtuosity of Rossini's tional depth by the heavy bass beat beneath. Most of the time, the characters in keen sense of drama, and

A full house for a big weekend

pilgrimage to Kensington Palace, the home of the late Princess of Wales, the streets of Kensington were arrived, there was no denyawash with people over the holiday weekend. Among them a lucky few thousand fought their way to the Royal Albert Hall for four of

On Thursday and Friday two concerts, following on from their appearance at the Edinburgh Festival. After their Prom visits in recent years we know to expect higher seat prices (still cheap at top price £32) and "standing room only" signs which mean what they say, i.e. no space to collapse if you faint. It also goes without saying that many of the unexpectedly got solos and entire departments of this orchestra played to the highest standard, though Abbado seemed to be driving them harder than before with less concern for bal-

Thursday's concert began with a subdued performance of Mozart's Concerto for Flute and Harp, in which Emmanuel Pahud's beautiful playing of the flute part alone showed signs of life. By comparison, the Bruckner which followed was vital almost to excess. Abbado has always had a strong as romantics like Fürtwansense of pacing, even if it is not necessarily the kind that Bruckner demands. The salient features of this performance of the Fifth Symphony were the Italian virtues of forward movement, a visit. Verdi's Simon Boccunlyrical lines in the strings festival's operas this year, that really sang. Maybe the

comes from Germanic stock. last moment and the titlethough when the final blaze role was taken instead by of the glorious Berlin brass Paolo Gavanelli, who sang ing that Abbado had carried gance in the lyrical passages the symphony through to a convincing conclusion.

The Friday concert was much as has been reported the season's major BBC from Edinburgh. Wolfgang Proms. from Edinburgh. Wolfgang Rihm's In-Schrift made an impact through its extreme the Berlin Philharmonic contrasts of sound without under Claudio Abbado gave satisfying the need for some contrasts of sound without content of substance in

Glyndebourne's production of Verdi's 'Simon Boccanegra' the shot in the arm it needed

between, Maria João Pires sought a chamber-room intimacy in Schumann's Piano Concerto, which did not work in the Albert Hall; her musicianship is too self-effacing for a venue this size. Abbado's performance of Brahms's Third Symphony went with a thrashing intensity, but never suggested he has found a deeper meaning, gler and Karajan, or classicists like Sanderling and Dohnányi have.

On Saturday Glyndebourne Festival Opera came to the Proms for its annual egra, not the strongest of the unexpectedly got the shot in patient wisdom of intuitive the arm it needed at the

With the Notting Hill Bruckner conductors like Proms. The advertised baricarnival and the anniversary Jochum and Wand only tone had withdrawn at the with a fine bel canto elebut could still deliver the Mark Elder and the London Philharmonic, just as dramatic as in the theatre. treated Verdi to some uncommonly expert orchestral playing.

The Sunday concert was remarkably - a BBC Proms first. In over a century of the Proms there has never been a performance of Elgar's oratorio The Apostles, which one would have thought a must in the Edwardian era. Better late than never, Andrew Davis and the BBC Symphony Chorus and Orchestra made sure that they did the work's Prom premiere justice, not perhaps with the inspirational zeal of a Barbirolli, but giving a judicious performance that took care over every detail.

Among the soloists three were outstanding: the sensitive soprano Felicity Lott, Anthony Michaels-Moore singing Jesus's music with warm-hearted lyricism, and John Tomlinson in the darkly dramatic role of Judas. So much in his scenes and the quiet majesty of the Crucifixion and its aftermath are lifted on to a high plane of inspiration by Elgar that it is a shame the first half of the score is so grey. On balance, however, it seems fair to judge The Apostles underrated. This overdue performance added lustre to an already strong proms weekend.

Richard Fairman

EDINBURGH DANCE

From woe to rapture

Clement Crisp on the not subscribe to our funeral plan done with consummate skill and knife-throwing as the emotional retrospective

The Edinburgh Festival's retrospective of Hans van Manen choreographies ended last week with performances by Dutch National Ballet and two of Nederlands Dans Theater's troupes the young NDT 2 and the elderly NDT 3. On Thursday night the dismal Playhouse seemed even more like William Blake's "Place of woe" as the NDT ensembles unveiled recent works featuring all the worst, the most anxious and unmusical, aspects of van Manen's creativity.

Two movements of the Ravel string quartet were shish-kebabed to provide sustenance for three NDT2 couples (whence the title. Couples) who ran, slithered and postured in that un-nuanced and unrelentingly eager fashion

which is all surface and no sense. Even worse was the geriatric therapy of The Old Man and Me in which Sabine Kupferberg came on hot and strong to Gerard Lemaitre, a grand dancer from NDT's early days, and still a vivid and compelling stage presence. There seemed variously undignified and Saga-ish hints at "sex can still be fun" and "why

the adagio from Mozart's K 488 piano concerto were offered as a soundtrack Since there is no more astute trick than to play a Mozart adagio in order to win over a dance audience (I recall with unchilled fury the clarinet concerto adagio as prop for a sickener about two chaps being very brave about you-can-guesswhat), the piece was greeted with delight. All that was missing was a rain of little mauve plush teddy bears thrown by the audience on to the stage at curtain fall. The evening closed with Grosse Fuge, which I find so horrible, so grotesquely inapt as a view of that

awe-inspiring music, that I can no longer bear to write about it. But, and how welcome, the centre of the programme brought the dazzling Solo from 1997, in which three men move like fiery particles at the behest of Bach solo violin music, and a brand-new work, Zero Hour, of dark and exhilarating imagination. In Solo, NDT2's Mario Zambrano, Brynjar Bandlien, Shintaro O-ue whistled over the stage in a relay race of ideas and steps handed on, with split-second timing and microsecond pauses and changes of

now", while a ghastly ballad, dynamic verve. In Zero Hour van norm). I am no great admirer of choosing tangos of the angriest and grittlest sonorities. His cast, from NDT3, are Sabine Kupferberg and Gioconda Barbuto. Gerald Tibbs and David Krugel. Dress is dark-toned, the stage darker still, the mood darkest of all. Sexual challenge, rivalry, provocation and menace inform



the mood and the steps. These are men and women - the tango is, in any case, for grown-ups and their feelings and their perceptions are adult as well as adulterous. It is a brooding and uneasy piece, danced with superb

The final programme came on Saturday night, when the Dutch National Ballet presented three works at the Edinburgh Playhouse. The theme was yet again the anxieties in relationships that van Manen weaves into so much of his work. (Cephalus and direction: it is bravura writing. Procris are not for him; he sees

Beethoven's world of feeling does not accord with three couples behaving tiresomely: sublime music is made to seem sanctimonious. The reward was the presence of Larissa Lezhning in the first duet, her style all harmony

But with Prokofiev's Sarcasms, the relationship between Sofiane Sylve and Jahn Magnus Johansen was as combative, sardonic, viciously bantering as the music, and in a tremendous account of Twilight, the odd rattles from Cage's score for prepared piano, the backdrop of an industrial complex, and the duel between Nathalie Caris (spike-heeled shoes and spike-heeled temper) and the combative Wim Broeckx was stunningly in focus as a display of sexual sparring, quarter neither given nor sought. It is a brilliant choreographic study. danced here with astounding rhythmic acuity and dramatic

The final piece was Live. It features a dancer (Sabine Chaland, who is a beauty to stop the heart) and a cameraman armed with a video-recorder, plus Gael Lambiotte as the abrasive male. I first



Three couples behaving tiresomely: scene from Van Manen's 'Adagio Hamr

suggest different layers of exis- absence (and yet her presence on tence, from the actuality of the film), her presence (and yet her danseuse and the presence (on a memories of a nasty encounter screen at the back of the stage) of her video existence - the camera tracks her every move - to the fact that pre-filmed clips suggest her own memories and her prior existence. The camera follows her as she moves from the stage through the auditorium into the saw the piece 20 years ago and I public areas of the theatre, then

with the young man) and her "disappearance" into the parallel world outside the theatre, all pose fascinating questions about what we see, who the dancer is and what she feels, how various realities can intersect. Sabina Chaland is a beautiful dancer; Lambiotte plays admirably to great deal of imagination.

am still thrilled by its power to into the streets of the town. Her her, and must treat her like a brute. The accompaniment is late Liszt piano music, admirably played by Mikhail Mouratch. The piece is very, very clever, and

very, very touching. This NDT programme held the stage of the Edinburgh Festival Theatre, and an eager audience. with nine dancers, two pianists (Mouratch's colleague was the no less gifted Robert Greuter), and a

INTERNATIONAL

Arts

AMSTERDAM

CONCERTS Concertgebouw Tel: 31-20-675 4411 Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Adams, Mahler and Sibelius. With mezzo-soprano Lorraine Hunt; Sep 8

BEIJING

OPERA The Forbidden City www.turandot-on-site.com Turandot: by Puccini. Conducted by Zubin Menta in a staging by Zhang Yimou. With the Maggio Musicale Fiorentino. Casts vary, with the title role sung by Giovanna Casolia, Audrey Stottler and Sharon Sweet; Sep 5, 6, 7, 8

BIRMINGHAM CONCERT Symphony Hall Tel: 44-121-212 3333 Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Strauss, Berg and

BRUSSELS CONCERT Palais des Beaux Arts Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Copland. Salonen and Sibelius:

BUDAPEST EXHIBITION

Hungarian National Gallery. **Buda Castle** Tel: 36-1-375 7533 Jozsef Rippi-Ronal: retrospective of the Hungarian post-Impressionist, comprising 250 works, includes decorative art objects and personal photographs and letters as well as paintings loaned by private collectors and museums; to Sep 6, then transferring to Saint-Germain-en-Laye near

CHICAGO EXHIBITION Art Institute Of Chicago Tel: 1-312-443 3600 www.artic.edu Japan 2000: Design for the Japanese Public. Part two of the series focuses on the G-Mark system which promotes good design. Includes watches and

EDINBURGH

Gallery; to Sep 7

bicycles: Kisho Kurnicawa

OPERA Edinburgh International Festival Tel: 44-131-473 2000 www.go-edinburgh.co.uk

 Dalibor: by Smetana. New Scottish Opera production by David Pountney. With sets by Raiph Koltal and costumes by Sue Willmington. The conductor is Richard Armstrong; Edinburgh Festival Theatre; Sep 3, 5 Libuse: by Smetana. Concert performance by the BBC Scottish Symphony Orchestra and the Edinburgh Festival Chorus, conducted by Oliver von

Dohnanyi; Sep 4

THEATRE Edinburgh International Festival Tel: 44-131-473 2000 www.go-edinburgh.co.uk Caligula: by Albert Camus. Dutch performance with English subtitles, directed by Ivo van Hove and designed by Jan Versweyveld; Edinburgh Playhouse; Sep 2, 3 ● More Stately Mansions: by Eugene O'Neill. Adapted by Karl Ragnar Gierow from O'Neill's unfinished manuscript. Ivo van Howe directs the New York Theatre Workshop; Royal Lyceum Theatre; Sep 2,

3, 4, 5 Phedre: by Racine. New Théâtre Vidy-Lausanne production, directed by Luc Bondy. Valérie Dréville plays the title role; King's Theatre; Sep 2, 3, 4, 5

FRANKFURT

Oper Frankfurt

OPERA

Tel: 49-69-21237 999 www.frankfurt-business.de/oper La Traviata: by Verdi. In a staging by Axel Corti, Sep 4, 6

LONDON CONCERTS

BBC Proms, Royal Albert Hall Tel: 44-171-589 8212 BBC Singers: conducted by Jane Glover in works by Britten, Kodály, Elgar, Szymanowski and Parry. With the Choristers of Guildford Cathedral; Sep 4 BBC Symphony Orchestra: conducted by Manfred Honeck in works by Webern, Beethoven and Prokofiev. With piano soloist Alfred Brendel; Sep 2 Chicago Symphony Orchestra: conducted by Daniel Barenboim in the European premiere of Harrison Birtwistle's

Exody. The programme is completed by Mahler's Symphony No. 5; Sep 3 Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Strauss, Berg and Tchaikovsky; Seo 4

 Czech Philharmonic: conducted by Charles Mackerras in works by Janáček and Mahler, Seo 7

 Czech Philharmonic: conducted by Libor Pešek in works by Dvořák, Szymanowski and Brahms. With violin soloist Raphael Oleg; Sep 8 European Union Youth Orchestra: conducted by Vladimir Ashkenazy in works by Berg and Strauss. With soprano Barbara Bonney; Sep 5 London Symphony Orchestra

and Chorus: conducted by Colin Davis in works by Beethoven (arr. Colin Davis and David Matthews) and Tippett. With soloists including bass John Tomlinson; Sep 6

EXHIBITIONS Hayward Gallery Tel: 44-171-261 0127 www.hayward-gallery.org.uk Bruce Nauman: spanning the career of the American artist, b.1941, this exhibition focuses on his relationship with language, and includes sound and video installations as well as neon pleces like One hundred live and

die (1984); to Sep 6, then

transferring to Helsinki

Tate Gallery Tel: 44-171-887 8000 Patrick Heron: b.1920, Heron is one of the leading figures of 20th century British art. He led the development of abstract art in Britain with his stripe paintings produced in the 1950s. This display includes around 80 paintings, from the 1930s to the present, to Sep 6

LUCERNE CONCERTS

International Festival of Music Tel: 41-41-226 4400 www.LucemeMusic.ch/ Amsterdam Baroque Orchestra: Ton Koopman conducts works by Mozart. With soprano Lisa Larsson, contraito Elisabeth von Magnus, tenor Paul Agnew and bass Klaus Mertens;

BBC Symphony Orchestra:

Andrew Davis conducts works by Ravel, Mozart, Walton and Elgar. With planist Richard Goode; Leipzig Gewandhaus

Orchestra: in works by Honegger and Bruckner. The conductor is Herbert Blomstedt; Sep 8 Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Copland, Salonen and Stravinsky; Sep 3 Los Angeles Philharmonic:

conducted by Esa-Pekka Salonen in works by Strauss and Bruckner. With soprano Gundula Janowitz: Seo 4 Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in works by Debussy and Varese. With soorano Sarah Leonard: Sep 5

EXHIBITIONS Guggenheim Museum Tel: 1-212-423 3500 www.guggenhelm.org Peggy Guggenheim: A

NEW YORK

Centennial Celebration. To mark the 100th anniversary of Peggy Guggenheim's birth, the museum has organised a display of paintings and sculptures from her collection; to Sep 2 Vilhelm Hammershol (1864-1916): Danish Painter of Solitude and Light. Retrospective seen in Copenhagen and Paris last year, comprising 60 works by this relatively unknown contemporary of Munch. Includes

portraits and landscapes as well

as interiors, many of which

depict the rooms of the artist's Copenhagen home; to Sep 7

Metropolitan Museum of Art Tel: 1-212-879 5500 www.metmuseum.org Str Edward Burne-Jones: first American exhibition devoted to the 19th-century British artist, comprising more than 200 works;

TURIN CONCERT Lingotto Flere Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Schoenberg and Bruckner, Sep 7

to Seo 6

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Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

lau US\$ B

Shiny foreign cars choke the city's main streets. designer clothes adorn brightly lit shop windows and colourful billboards cater to the ostentatious tastes of the nouveaux riches. It might be a bit vul-gar and a bit wild, but it is an infinite improvement on the Soviet era and a sign that, at least in Moscow, the market economy had taken Now, even that is in doubt

as the country's mounting financial crisis eats into the real economy. Bank machines, one of the more visible achievements of the new, sophisticated Russia, no longer dispense cash and credit cards are no longer accepted as many banks close their doors. More worryingly, this is being followed by an erosion of the economic basics, as shop shelves empty and cash drains from the economy. Add to that the immense

political uncertainty caused by President Boris Yeltsin's sacking of his government, and suddenly nightmare see narios are being raised as serious possibilities. Could the political and economic crisis lead to the rise of a military dictator, or the collapse of the country into feuding regional fieldoms? How quickly is economic colmight this provoke Russia's long-suffering population in popular revolt?

Certainly, what began as a rather esoteric financial crisis has swiftly spun into a broader economic meltdown, throwing the currency into limbo, paralysing the banking system and blocking the delivery of goods and services. As if this were not enough, things will probably get worse before they get better. The devaluation of the rouble and a wave of soft central bank credits mean that a sharp jump in inflation - to an annualised rate of 30 per cent at least - is good. After nearly a decade inevitable. Even more of haphazard reform, Rus-

How bad can it get?

Chrystia Freeland examines the spread of Russia's financial crisis into the real economy and asks whether this could provoke a popular uprising



approaching hyperinflation, could be in store if the government gives in to widespread pressure to release

"This crists is extremely serious because it touches on every aspect of the Russian economy," argues Sergei Markov, director of the Institute of Political Studies, a Moscow-based thinktank. "It is a currency crisis - the rouble has devalued. It is a capital markets crisis - the financial markets are dead. It is a crisis of investor confidence in Russia. And, most fundamentally, it is a crisis of the real economy - Russia doesn't work."

The real economy is key to the way Russia's drama will unfold. And the news is not

ile market economy is being battered from all sides. Already, the problems are

visible on Moscow's shop shelves. At Marina, a grocery store in the centre of the city, the meat shelf is almost hare. Uncertain how system will fail to deliver payments, the three Moscowregion meat-packing plants that supply Marina have this week refused to deliver.

packing plants even answers Borisovich, the store's manager. "They are afraid to sell. They don't know what price to charge, so they've just vanished. We have the same problem with many of extreme price increases, sia's capitalism was only our imported goods, like fro-barter, we had a financial Mr Yeltsin sacked the gov-

half-finished. Now, this frag- zen foods. Our distributors have simply stopped shipment. They are waiting for the situation to stabilise." Even big western con-

sumer goods companies are feeling the squeeze. Unilever, which produces deodorant, shampoo, margarine to price goods because of the and salad dressing in Russia rouble's volatility and wary for the domestic market, that the crumbling banking said this week that orders for its goods had almost dried up as distributors stopped ordering goods. The same pressures are

battering the manufacturing "No one at the meat- sector. Companies which had divined how to keep the phone," says Mikhail afloat in Russia's swamp of non-payments and barter are finding that their access to cash - what Russians call "live money" - is drying up

"For all the arrears and start of the financial crists,

plan and we counted on receiving a bit of real money," says Kakha Bendukidze, owner of several Russian factories, including Uralmash, one of the country's biggest machinebuilding plants. "Now the power. The president faces calls for his resignation and plan has broken down the threat of impeachment. because money has vanished from the country. The metal-The parliament risks being lurgical plants or oil compament, denied legislative nies which bought our machines lost their money approval this week, barely

and so now they cannot pay The deterioration of Russia's already shaky economy cries out for forceful government action. But Russia's political system has proven to be just as weak as the country's economic foundations. Within days of the

in treasury bills or banks

ernment, plunging the country into a political vacuum. This has undermined all three branches of federal authority at once, leaving Mr Clinton unsure as to who really holds the reins of

exists at all. As the powerbrokers quarrel in Moscow, the authority of the state continues to crumble. The Kremlin's ability to collect taxes, one of the defining qualities of a national government, has been feeble for years and is one of the causes of the economic turbulence in the first place. Now, it is weakening

of the banking system makes it physically even harder to collect taxes.

This practical problem is compounded by a psychological one. Humbled by the financial crisis and riven by infighting, the federal government is fast losing its political authority across the country. Regional leaders. who have long been reluctant to surrender locally collected revenues to Moscow, are daring outright defiance.

Last week, for example, the leader of Yakutia, a resource-rich Siberian prov-ince, banned local gold producers from sending the precious metal to Moscow, ordering them to store it in the local government's vaults instead

Feuding at the top, weak state institutions, an economy that could be slipping into hyperinflation - this looks like a textbook recipe for popular revolution, or at lesst a palace coup. Even a senior Kremlin official this week warned that Russia could be on the brink of a 'popular uprising".

It is a tempting argument to make. Russian workers, unpaid for months, had begun to take direct action even before the crisis. This spring, irate coalminers repeatedly blocked railway lines to protest over wage arrears. In depressed cities such as the far-eastern port of Vladivostok, strikes and demonstrations by public sector workers, ranging from teachers to ambulance staff. have become a weekly event. Underpaid and sometimes underfed, individual soldiers have taken to shooting their nanding officers.

The ranks of this mob of unnaid workers and angry conscripts have now been swollen by a middle class whose savings were eradicated by last month's rouble devaluation and banking cri-

And if, as in Albania after the collapse of the pyramid schemes, this financial blow finally breaks the legendary patience of the Russian people, a popular revolt will have no shortage of Bonapartes. Alexander Lebed, the former general turned Siberian governor, Yuri Luzhkov, the energetic mayor of Moscow, and a host of obscure nationalist and communist hardliners are all but openly auditioning for

But if Mr Lebed or Mr Luzhkov ever make it to the Kremlin, it is more likely to be through the ballot box nary people will unseat the current establishment.

For one thing, in contrast vith indonesia, where stuent and Islamic groups bhilised a disaffected popule, or imperial Russive the Boles of the Boles than on the back of another

MANCIAL HAMES

machine channelled popular unrest, Russia lacks national organisations able to transform amorphous discontent into political change.

Another obstacle to outright revolution is the talents and resources of Russia's economic establishment. The country's biggest businessmen used their political skills and control of the airwaves to persuade a reluctant Russia to re-elect Mr Yeltsin in 1996, Those same structures will today be deployed to prevent a total overthrow of Russia's

Finally, in a country as large as Russia, revolutions are won and lost in the capital city. And even though and shortages will make Moscow a bit greyer than it has been recently, for now, Musicovites are too comfortable to make good revolutionaries

Even the soggy coalminers camped outside the White House, the government building in Moscow, admit a revolt is unlikely. Many Muscovites, they say, sympathise with the ferocious declarations of the red banners decorating their camp -"All Our Ministers Are Bastards!", "Yeltsin, Resign!" but they are unlikely to help overthrow the establish-

"We are standing here, trying to wake up Russia, but it is very hard to do." says Ramil Gashygalin, a miner from the far northern city of camped outside the White House for nearly three months. "Moscow will never wake up. It's too calm, people live too well. And as for the rest of Russia, well, it's a big place and it's hard

LETTERS TO THE EDITOR

West must abandon this bloodless colonialism

From V. Anantha

"Threats of depression" inflation concerns of central of higher inflation in these say, 2.5 per cent. Second, if equity markets in the west

When per capita income sinks tenfold as it did in in place before it pushed Indonesia and western econ- through financial liberalisaomies benefit from tion in developing countries rock-bottom commodity with a fanatical zeal?

prices, low inflation and interest rates, it ought to lessly in good times and, liberalisation in the borrow-Sir, Martin Wolf's article result in a serious re-examination of business practices bailed out, stringent and strengthen institutional (August 26) raises a few (of lending institutions), ecointeresting questions. First, nomic policies (international it shows up the misplaced trade and capital market liberalisation) and the sequencbankers in the US and in the ing of economic reforms pur-UK. Not that there is no risk sued by the International Monetary Fund at the behest two economies, but there are of its major shareholders. It more pressing and calami- is well-known that political tous risks than merely see- stability and institutional ing inflation rise from 1.5 to, framework, prudent and well-functioning fiscal and monetary policies and a do hold up and thus prevent well-regulated and capitaltheir economies from col- ised banking system and effilapsing, it would merely cient capital markets are underscore the dramatic preconditions for a country widening of the economic to enjoy the benefits and gulf between the west and withstand the pains of open (measured in US dollars) ensure that these were put

contractory conditions are mechanisms and other preimposed on the borrowing conditions necessary for governments, asset prices economies to benefit from collapse and a vast majority of the population is made poorer. Foreign investors respect local sensitivities as less colonialism is very neat.

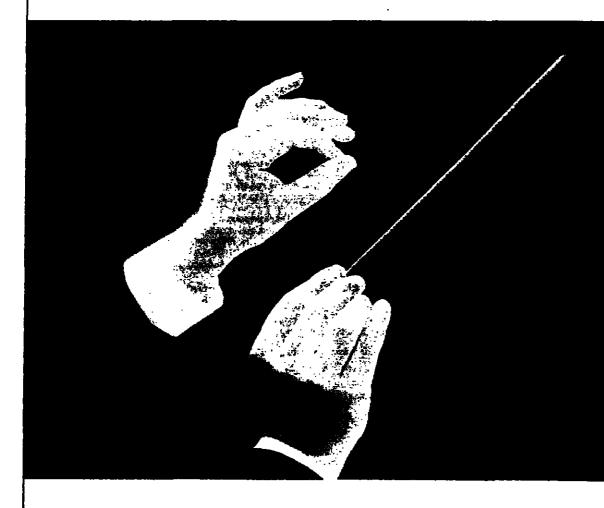
then walk into markets they acquire assets cheaply prised open for them by the in emerging markets. Their IMF and pick up assets governments should resist cheaply. This modern, blood- calls for protectionism at If there is some truth in from the recovering econo-the above analysis, the mies start arriving. If they implications for western all ignore this advice, their monetary policymakers are children may read in their obvious. They should, at history books that the trileast temporarily, abandon umph of capitalism over chasing the ghost of infla- communism lasted only for a tion. This would allow their brief period in the last the developing economies capital markets. Would it economies to grow and be decade of the 20th century. within a span of 12 months. not have been, therefore, able to absorb imports from countries looking to export V. Anantha-Nageswaren. their way out of trouble. The Credit Suisse Private IMF should roll back some of Banking,

Western lenders lend reck- insistence on capital market when the loans fail, they are ing countries, work to open capital flows.

home when cheaper goods

its absurdly stringent condi- General Wille Strasse 46, tions imposed on borrowing 8706 Feldmellen, governments, abandon its Switzerland

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BA best placed for risks

From Mr Nick Rouse. From Mr Nick Rouse. BA is in the best position to Sir, Lex suggests ("British" manage the risks of owner-Airways/Airbus", August 26) through various types of ily as a user. operating lease. But is this sensible from the point of

the risk more generally? best taken by the person any upside in residual valwith the greatest knowledge ues, but theoretically at least and ability to control them. this should only push up the In this way the costs of hedging such risks are kept to a minimum, as someone who does not understand the risk ought to extract a high price to cover for situations

view of particular businesses

that could go wrong. In the case of BA, there is a strong case for saying that, Basingstoke, as a leading user of aircraft, Hants RG21 7GL, UK

ship. Not only will it underthat BA's aim in negotiating stand what is driving future its deal for new aircraft residual values, it is also in a includes shifting the risk of position to time the sale of ownership back towards the second-hand aircraft by supplier. This reflects an using them a little bit longer increasing trend for busi- or shorter to ensure that nesses to avoid the risks of they are sold into the best ownership of assets, notably marketplace. Suppliers or through passing the risk to financial institutions cannot financial institutions do this anything like as eas-

only the risks of ownership but also the rewards from or as a method of handling getting the timing right to sell aircraft at a profit. It It is a good axiom of risk may well be that BA is seeknanagement that risks are ing to negotiate a share of cost of paying for the risk being taken by the suppliers. From Jan Harrington.

Moreover, BA gives up not

risk director, Barclays Mercantile, Churchill Plaza, Churchill Way,

Ads on the internet can produce a click-through rate to die for

Sir, "Net ads fail the soap and 5 per cent - the kind of test" (August 28) expresses the view that internet advertising banners "rarely attract more than a glance". Financial Times continues to

There is no evidence quoted to illustrate points already the fastest-growing such as: "Even banner ads new medium of all time." products and services pro-duce lamentably few clicks." director, In fact, a good internet NMC/Adplan,

through rates of between 1 response direct marketers would die for.
The truth is that a prop-

erly managed internet adver-One wonders, then, why the tising campaign can produce offer internet advertising right kind of audience True, services on its own web site, the medium is highly experimental when compared with established media. But it is

Ray Taylor, advertising campaign will 77 Stanbope Grove, typically produce click- Beckenham, Kent, UK

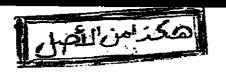
Consultants with a prior claim

that Florence Nightingale The Prince is full of managewas the world's first man-ment consulting ideas. agement consultant (August 31). I think the following are Jan Harrington, earlier candidates with at PO Box 748, least as good a claim: Sun New York. Tsu, whose book The Art of NY 10116, US

Warfare is still a bestseller, Sir, Lucy Kellaway claims and Machiavelli, whose book

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The challenge for the ECB

Andrew Stranger

FINANCIAL TIMES WEDNESDAY SEPTEMBER 2 1998

Tokyo

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HE EDITOR

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Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

FINANCIAL TIMES

Wednesday September 2 1998

Controlling capital flows

Malaysia yesterday introduced the Asian crisis. wide-ranging capital controls. which effectively withdrew the ringgit from the international financial system. Along with the Hong Kong government's recent intervention in the stock market, this could be the beginning of a backlash against the mantra of free markets. A major rethink of any controls must be limited to attitudes towards capital flows is short-term capital flows, and

Capital controls have become dirty words in today's economic ment, which are essential to orthodoxy. But as the crisis in south-east Asia showed, unfettered movement of capital can have devastating effects. In the inter as Russia tetales face of such difficulties, China might be considered as an example of the advantages of controls. It has all the signs of vulnerability to speculative currency attack: a faltering economy. closely linked to the rest of Asia: a banking system riddled with bad debt; and widespread corruption. Yet it has maintained its currency peg whilst reducing interest rates, thanks to the nonconvertibility of the renminbi.

Capital controls allow the delinking of domestic monetary policy from exchange rate movements. Under certain conditions, this could prove a way forward for the Asian crisis economies. These countries have an urgent need to restructure their banking sectors, whilst maintaining tight monetary policies in order to keep their currencies stable. But these two policies do not sit easily together. It is difficult to liquidity leaks out of the country. Controls on short-term capital would give these countries greater monetary flexibility. making banking sector reform easier. Lower interest rates would also give a welcome short-term boost to growth.

Argument for controls This is an argument for temporary capital controls in time of

Attractive as this sounds, capi-

tal controls are far from a panacea: there are good reasons why they have fallen out of popularity. If they are to be used, it must be for the right reasons, and be subject to strict conditions. Three factors must be considered. First, must not be extended to longerterm flows such as direct investgrowth in developing countries. Care must also be taken that restrictions which target short-term flows are not so complicated that they discourage long-term investment.

The simpler, the better Second, capital controls are often subject to avoidance, distortion and corruption. Generally,

the simpler controls can be made, the better. Third, and most important, capital controls must be used to assist reforms, not to avoid them. The discipline of the financial markets, however unfair, has at least forced some governments into taking actions that might otherwise never have happened. Capital controls are a double-edged sword. They create

better conditions for reform, but

they lessen the incentive to

undertake it, by reducing the costs of doing nothing. It remains to be seen which course Malaysia will take. But organise a large-scale bank the indications are not good. restructuring when any extra Mahathir Mohamad, the prime minister, has shown little enthusiasm for the restructuring that Malaysia clearly needs. His comment yesterday that the capital controls would allow the government to relax the criterion for non-performing loans was hardly a sign of a change of heart.

The issue of how to deal with short-term capital flows is now one of the most pressing on the international economic agenda. The International Monetary crisis, More radically, some econ- Fund/World Bank Annual Meetomists say controls on short-term ing, which starts this month. capital should be a standard part must start to consider the of policy for emerging markets, uncomfortable possibility that in in order to avoid the destabilising some cases, and under strict concapital inflows and outflows ditions, capital controls could that were at the heart of indeed be the least-bad option.

The challenge for the ECB

Central bankers do not like next year much below forecasts surprises. European policymakers had been looking forward to a comfortable launch of the euro next January. When 11 cal deficit limits agreed in the countries including Italy signed up for the single currency in May, the talk was of a European

boom, not a global recession. Four months on, the economic prospects look very different. Yet despite Russia's collapse, Asia's financial crisis, signs of contagion in Latin America and a sharo fall in stock markets across the world, the European Central Bank is still sanguine about the launch of the euro in January 1999. The governing body of the ECB did not change its official agenda at this week's meeting, although it did discuss the Russian crisis. Largely, it stuck with

Russia's collapse, so much closer to home than that of Asia, has spread anxiety in Europe's financial markets. There was minor speculation against the lira last week. Spreads between German and both French and Italian bonds have widened following Russia's default and devaluation. There has been a flight to quality.

But talk of delaying the launch whole project. It would take an cent next year. inconceivable reversal for Europe's leaders to cancel a project in which they have invested

so much political capital. If anything, turbulence in the world economy has strengthened European politicians' resolve for market. Emu. Currency turmoil in Denmark, Sweden and Norway - outside the euro-bloc - is far harder. It will have to balance greater than the recent mild the need to establish credibility tremor in Italy.

Sense of perspective

keep the effects of the current trouble on Europe's economy in perspective. True, Asia's crisis ever, the ECB appears confident slow growth in the euro-zone falters.

of 2.5 per cent. This would certainly not cause European goveroments to collide with the fis-Maastricht treaty.

Too soon to ease

US central bankers to contemis: not yet

falling stock markets were affect-

correction. European stock markets are still well up from the of the euro is completely mis- ited, the fall in equities will also placed. Delay would create a bear down on European inflation. financial maelstrom, which which on present forecasts is would very likely engulf the expected to be less than 2 per

Europe is now in only its sec-

Nevertheless, the change in

delicate task in the next few months. They need to achieve against the grain of a turbulent

But when it takes over in January, the ECB's job will be even against wider responsibilities to

ond year of recovery. The risk is Moreover, it is important to that the ECB, by seeking to be more orthodox than the Bundesbank, will snuff out demand. This would be a terrible error. World will reduce significantly Euro- deflation remains as great a risk pean exports to the region. How- as European inflation. The ECB needs to ensure that Europe is in that the deterioration in external a position to take over as the balances will not be enough to engine of world growth if the US cryptospondium and giardia

ing is that the perception of risk has returned to the stock market

biggest champions of the bull On this view, what is happen-

world conditions has prompted plate easing monetary policy. Should their counterparts in Europe do the same? The answer

European central bankers are unlikely to cut rates in anticipation of imported deflation or to offset falling equity markets. The economic effects of falling European markets are less serious than those of a big drop on Wall Street. Far more household wealth is held in equities in the US than in Europe. Before acting on interest rates, the ECB would require tangible evidence that

ing the real economy. As things stand, the ECB will not be dismayed by the current start of the year. Although the wealth effect in Europe is lim-

Europe's central hankers face a convergence in interest rates in line with the Maastricht process,

the world economy.

had set aside many of its fears. The classic measures of financial market risk - corporate bond spreads and the risk premium that investors had traditionally demanded for owning stocks rather than bonds – had fallen to almost nothing. The sense of risk has been creeping back into the credit markets for some time. The yield spread on corporate bonds (the difference between what the Fed-

with a vengeance. In the spring,

ahead and an Asian slump that

inflation meant that Wall Street

COMMENT & ANALYSIS

Share of world GDP

Global markets: a year lost

t was a day of wildly gyrat-

ing share prices after a 500-

point fall on Wall Street the

day before. Since its peak

on July 17, the Dow Jones Indus-

trial Average has fallen by nearly

a fifth and has lost all its gains

this year. Some European equity

markets - notably Frankfurt,

Madrid and Zurich - have also

experienced 20 per cent slides

Is this the end of a correction, a

point from which shares can

resume their climb? Or the start

of something worse, a full-scale

reversal of the bull market of the

If this is a correction, the

effects could be relatively mod-

est. The Organisation for Eco-

nomic Co-operation and Develop-

ment has estimated that a 20 per

cent fall in the stock market

would reduce the growth of US

gross domestic product by only

0.2 percentage points in the first

year and the growth in European

gross domestic product by 0.1

points. In the second year, US

growth would be 0.6 per cent

lower and Europe's 0.2 per cent.

bear market, there are big impli-

cations for everything from pub-

from the US to emerging mar-

save more as a result of losses on

Wall Street, the result (other

things being equal) would be a

fall in US public savings - that is

a rise in the budget deficit, lead-

ing to higher interest rates. A

prolonged bear market would

also affect pensions and other

financial instruments: the way in

change in an environment with-

out high-risk, high reward assets.

participants appear to believe

that the fall is still a correction.

At the moment, many market

But if it is the beginning of a

from their July highs.

past decade?

eral government and US companies pay to borrow in the bond market, and the best measure of perceived corporate credit risk) has been widening steadily. Now it has returned to the stock market too. The immediate reason is Russia, and two broader worries that events in Russia

have crystallised. One is the potential damage from a shock to the world's financial system. Lack of liquidity in the emerging markets and credit losses have a way of feeding on themselves, creating a vicious circle of collapsing credit that has already consumed the Asian banking system and is bruising

Policy would be affected banks in Europe and the US. because, if Americans began to The other is the danger that the market crisis may propel the global economy into a recession. with a severe impact on corporate profits. "There's a big risk creeping into the global economy, at a time when there's no leader ship coming out of Washington, Tokyo or Moscow," says Ed Yardeni, chief economist at Deutsche these are financed would have to Bank Securities.

As the perception of risk has risen, Wall Street's attention has shifted back on to the uncertain outlook for American companies. hitting share prices from two

rather than something worse. directions at once. The volatility in share prices yes-The rising risk premium is eating into companies' price/earnterday suggests that few investors are ready to call the turn ings multiples, dragging them back from their historic highs. yet. "We had a lot of the panic Shares in the Standard & Poor's selling yesterday - but we proba-500 index, which were trading at bly haven't had a classic selling more than 23 times their future chimax yet," says Jeffrey Applegate, equity market strategist at earnings as recently as last Lehman Brothers and one of the month, can now be bought for a multiple of 18 times - a considerable deflation, though still higher than the long-term norm. At the same time, concern about corporate profits has been mounting ing away at share prices. That marks one important dif-

Richard Waters, Gerard Baker and Philip Coggan look at the reasons behind two days of

stock market volatility and consider whether this could turn a slowdown into a slump

steadily for some time, also chew-

Severe and risky correction

the supposedly "perfect" combi-nation of a US economy powering ference with the stock market was taking the edge off global correction of 1987. At that time, earnings prospects were improv ing says Mr Yardeni. The global economic growth that followed the market disruption provided the backdrop for a steady increase in profits. This time around, the outlook

is flat or getting worse. "We've had some pretty brutal profit declines" for oil and other commodity-based companies, as well as the technology companies that were looking to Asia as a source of profits, says Dick Hoey, an equity fund manager at Dreyfus, a US mutual fund group. On this basis, it seems unlikely

the US market will bounce back soon. Equally, there will not necessarily be a broad collapse in earnings and share prices, either. According to Mr Applegate, around 90 per cent of US corporate profits are earned at home or in western Europe. That would suggest that the financial and economic contagion in internalimited effect, and that the bottom has already been reached for

But that depends critically on the real economy and, in particular, on whether the fall in share prices might itself result in lower

economic activity. Economists have fretted for

The negative wealth effect could be greater than the positive effect by a factor of two'

some time that the domestic US economy has become much more vulnerable to a significant decline in equity prices. According to the OECD, equities are 39 per cent of US personal sector net wealth, compared with 8 per cent in Germany and 13 per cent in

Widening share ownership by some measures, more than half the population is now directly exposed to the stock market - has heightened the sensitivity of domestic spending to a market slump. If an extended fall in share

Frankfurt

prices were to depress demand at home over the next year, the implications for the rest of the world would be chilling. The US, which accounts for a fifth of global demand, has been the principal support for world in the form of provision for growth as recession has spread to retirement by Americans now other regions over the past year. If that US prop is about to be kicked away, the recent talk of a

global depression may not seem far-fetched. In fact, the equity market turmoil of the past week is only a part of the much broader pattern that makes up the US economy. For the past year, domestic demand has been remarkably strong. The long bull market has been an important, but by no

low unemployment, accelerating wage growth, falling long-term interest rates, and a steep drop in commodity prices. On the negative side have been the trade effects of the international turmoil, fiscal policy, tional markets will have only a which has been getting steadily

means the only, element in that.

Also fuelling demand have been

tighter as the federal budget deficit has gradually disappeared. i, more recently, the shal slowdown in profits growth. Because of these problems. almost all economists expect domestic demand growth to slow

somewhat, as the Asian effect increases and the hit from profits affects investment. The question is whether the falling stock market will turn that expected slowdown into a recession.

Conventional estimates by economists at the Fed and elsewhere suggest that consumers spend about 3 to 5 per cent of any gains they make when asset values appreciate - the so-called "wealth effect" on consumption.

In the past three years the equity market has added roughly \$4,500bn to total household wealth. That would suggest the bull market has boosted consumer spending by as much as \$225bn over three years, or a little over 1 per cent of GDP.

Even if the stock market decline were to continue and wipe out all of the gains of the past three years - which would mean a further 30 per cent or more decline from today's values - the loss of 1 per cent of GDP would be serious, but not cata-

The doubt is whether such a big share price decline could stop there. Some economists argue that the negative impact of a 50 per cent decline would be greater than the positive impact of a 50 per cent rise. This is because much of the investment has been

approaching pensionable age. As Stephen Roach, chief econo mist at Morgan Stanley Dean Witter argues, that makes the average investor likely to be more cautious following a decline. "The negative wealth effect could well be greater than the positive effect by a factor of as much as two," he says.

Furthermore, the financial condition of the private sector overall, including corporations, is not healthy. As Wynne Godley, an economist at the David Levy Institute in New York, has pointed out, the US private sector financial deficit is larger than it has ever been. Personal savings are close to zero and overall the private sector is running a big deficit. A sustained market downturn could force individuals and companies to retrench substan-

In short, the immediate impac of a falling market may be small in a moderately vibrant economy. But if the market fall is sustained, the outlook could get much grimmer.

Many economists believe the

The Fed remains watchful but not yet ready to come to the rescue of world markets. While there are concerns about both the causes and the effects of the current instability, US growth is still buoyant and some policymakers fear a precipitate cut in rates could lead to an unhelpful resurgence in equity prices and inflationary pressures. Another big drop, of course, and that view would almost certainly change.

OBSERVER

Labor candidate goes with the flow

The southern Sydney marginal seat of Hughes should provide one of the more entertaining contests in the Australian election campaign.

Voters have spent much of the last couple of months boiling water to make it safe to drink and Labor candidate David Hill can expect a few questions about why the city which is hosting the Olympic Games in 2000 can't seem to manage a reliable supply of clean water. Even now, a week after the second water warning, Sydneysiders have been told only that it's "probably" safe to drink the stuff that comes out of their

Hill should have some answers he has just quit as chairman of Sydney Water. Given the current popularity of the state-owned purveyor of H₂O, he might have been better off finding another city to run in.

The whole affair has been a public relations disaster for Sydney. Just days after Australia's flagship city topped US poll of tourist destinations, 4m residents were told to boil their tan water. After a week, Sydney Water gave the all-clear - only to

announce shamefacedly last

parasites was even worse than

week that contamination by

before. Hundreds claimed to have suffered sickness, and this week companies launched lawsuits claiming loss of

Sydneysiders are now studying reports on the extensive foreign travel undertaken by Sydney Water officials in the past year a total of 136 overseas trips by about 30 executives to destinations including France, Scotland, California, Italy and Thailand.

All that burning up of jet fuel didn't avert the water pollution, but Sydney Water is putting a brave face on it. When the bugs bit, it says, the valiant voyagers knew lust which foreign specialists to call for help.

Moral high ground Not everyone in Moscow is

pleased to see Bill Clinton, but the US president isn't likely to be greatly disturbed by the less than gracious welcome he was accorded in the Duma, the Russian parliament, as he jetted in for his summit with Boris Yeltsin.

Vladimir Zhirinovsky, leader of a political party that lurks on the outer fringes of nationalism, told deputies the saxophone-playing president's visit was "untimely, especially considering his recent moral scandal". He advised Clinton to go home, abandon Hillary and marry Monica Lewinsky.

"We, as individuals with high

moral character, would prefer not to meet a person who still can't sort out his relationship with his secretary," he added. The Duma may have derived

some amusement from Zhirinovsky's high moral tone. After all, unlike the Russian politician, Clinton hasn't been filmed beating up a female deputy on the floor of parliament Not has he boasted about infidelity or made a film in which he cavorts with naked women. If he had, Kenneth Starr would have mentioned it.

in the money

The birth of Europe's single currency may still be four months away but Axel Springer, the German newspaper combine, is getting its shot at the euro in early with the launch next month of the business weekly Euro am Sonntag. The choice of name seems a

brave one. While most Germans are resigned to the arrival of the euro they have not yet learned to love it as much as the dear old D-Mark. But it does raise a question for other publishers. What, if anything, happens to the title of the popular magazine DM once the D-Mark is no more?

Stealth bomber

If Sudan really is part of a high-tech *global terrorist network", as the US claims, it has a bit of catching up to do. Further details have emerged of the American cruise missile attack on an alleged chemical weapons factory on August 20.

Over quiche lorraine and chocolate cake at a tea party in Khartoum, a senior minister said Sudan had had no idea that it was under attack until the missiles were over the city. The country has only two radar sites. But the radar at Khartoum airport has a range of 200 miles. It isn't much, but surely it would have been enough to give some warning. "In theory, yes," said the minister. "The problem was

that that night the radar was not

working. There was a power

Congo line

Disgruntled Canadian businessman Robert Stewart has been at the non-aligned summit in Durban, South Africa, sharing with journalists at his frustrations about doing business in Laurent Kabila's Congo.

Stewart, now advising an opposition group he hopes will be kinder to his mining interests, recalls going along with the then finance minister Mwana Nanga Mawampanga when he dropped in on World Bank chief James Wolfensohn last vear.

Mawampanga went for the dismissive approach: "I don't need the World Bank." Wolfensohn replied: "Yeah, you may not need us. But you owe us \$13bn - and we need you."

Where does this leave policy?

Federal Reserve must now cut interest rates. They say that, while the immediate effects of the market trauma may be limited so far, the outlook is getting increasingly gloomy. International turmoil is creating a risk of a slump, they say, and with inflation virtually absent from the US economy, the central bank needs to show itself ready to ward off a catastrophe - perhaps as part of an internationally co-ordinated effort.

Financial Time 100 years ago

Economic Troubles In Russia The epoch-making pronunciamento of the Czar, urging the wisdom of universal disarmament, has not unnaturally aroused a good deal of Interest in the economic conditions obtaining at the present time in His Imperial Majesty's far-reaching dominions. Cynics have suggested that the startling memorandum was inspired by the knowledge that a continuance of military expenditure on the present scale would spell grave embarrassment in Russian financial circles within a comparatively short time.

50 years ago French Cabinet Talks

Paris, Sept. 1. French Premier-Designate M. Robert Schuman, approved by a narrow majority in the National Assembly, continued Cabinet-forming talks with party leaders to-night, but did not expect to end them before to-morrow. This afternoon he said that it was not in his mind "for the time being" to try to form a Government entirely . from his own party. The Socialist parliamentary group, whose opposition brought down the last two Cabinets, met twice to-day to decide their attitude.

FINANCIAL TIMES

brother **PRINTERS** FAX MACHINES

WEDNESDAY SEPTEMBER 2 1998

THE LEX COLUMN

D for dominoes

The slide in global markets may have come to a temporary halt. But they are still haunted by three "Ds" - default,

dominoes and deflation. Yesterday Malaysia ratcheted these fears up a notch by imposing exchange controls. In itself, the Malaysian economy (like Russia's) is too tiny to have much direct impact on Europe or the US. The concern. rather, is that it could trigger copycat action in other emerging markets - particularly with respected academics like MIT's Professor Paul Krugman advo-

cating capital controls.

Malaysia is, in effect, telling shareholders that their money is trapped for a year. That is not quite as bad as Russia's defaulting on its debts, but it comes a close second. Investors, such as hedge funds, needing to sell Malaysian stocks to meet margin calls will not be able to do

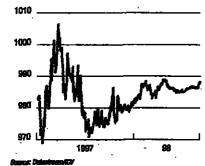
Moreover, now that even Hong Kong is fiddling with the operation of free markets, policy measures that only a few weeks ago would have been unthinkable cannot be completely discounted. The probable effect will be to accelerate the capital flight from emerging markets.

Losses by hedge funds or banks are, in themselves, no reason to weep. It could teach them the welcome lesson that they cannot rely on the International Monetary Fund to bail them out of difficulties. The snag is that defaults by hedge funds or, even worse, banks would raise the spectre of contagion spreading to the heart of the

The red flag was raised over Hong Kong yesterday when several of the territory's banks were downgraded by credit rating agencies. With high capital adequacy ratios and a low level of non-performing loans, there is no immediate danger. But asset prices are still falling and the credit crunch is triggering more business

Banks in the UK and the US are still less vulnerable, since bank balance sheets are strong after several years of good profitability. They may be losing money: Britain's Barclays Bank, for example, yesterday revealed £250m losses in Russia and another £75m elsewhere. But that is or the US themselves facing a financial offerings will be affected by the recent still small beer in the context of its £20bn crisis, the backdrop is negative. Outright turmoil.

Acadest the Bra Circ per DAR



market capitalisation.

Continental European banks look more exposed. German banks, for example, have large loans out to Russia. But a high proportion of these is covered by the state-backed Hermes insurance scheme.

That said, there is still a chance that a second-tier bank somewhere in Europe could find itself caught short. Normally, that would not matter too much - the responsible central bank could either provide liquidity to the struggling bank or close it down and provide liquidity to the rest of the system. Unfortunately, in the current interregnum before economic and monetary union, it is not clear who would act as a lender of last resort. With luck, Europe's central bank governors will have put in place some contigency plan at their meeting yesterday.

The global turmoil has also raised new uestions about whether the Emu project itself could be vulnerable. Some jitters are visible in the wobble of the Italian lira versus the D-Mark, but the shift has not been large. Anyway, Europe's central banks have the capacity to defeat any speculative attack – provided political backing for the project remains solid. And, given the buffeting experienced by other economies, the protection afforded by Emu's cordon sanitaire must seem all

Though there is little chance of Europe

CONTENTS

ssion or deflation is not at this stage likely. But growth is bound to take a

The biggest concern is in the US. The dangers of a virtuous circle turning victous are obvious. With the bulk of this year's stock market gains wiped out, US households may choose to curtail spending, hurting the real economy and leading to further falls in equity prices. So far, US retail investors seem to be holding their nerve. The worry is the market's turmoil will bring about a psychological shift in investors' thinking. With fundamentals so uncertain, any significant rally could well trigger widespread selling.

This reverse "wealth effect" is likely to be less in Europe, where stock market investment by private individuals is not as important. Indeed, given Europe's penchant for holding bonds - whose prices have soared - there could conceivably be a positive impact. But that is small comfort. If Wall Street takes another lurch downward, Europe will follow.

Wall Street's investment bankers must be hanging on to their hats. Most of this year's big all-share mergers are deep under water - with some of them just weeks from closing. Citicorp's stock, for instance, has fallen 27 per cent since it announced its April marriage to Travelers, which is itself down 31 per cent. Ban-cOne and its partner, First Chicago NBD, have each lost more than a third of their value. But as long as their stocks fall in tandem, as most have, the spread between the offer and the target's price is not materially changed. Investors in either company are thus unlikely to press for a reveals concrete bad news - as happened in the Ciena/Tellahs deal.

Stock market volatility has also closed the market for initial public offerings. But the summer is a quiet period in any case. The real test will come later this autumn, with big offerings like Goldman Sachs and DuPont's Conoco spin-off. Investors will continue to have an appetite for highquality companies. Prospects for blue-sky technology issues, like internet stocks, are much less certain. But the pricing of all

Malaysia pulls ringgit out of currency markets

Investors react swiftly as Mahathir imposes draconian controls

By Sheila McMulty In Kuala Lumour

Mahathir Mohamad, the Malaysian prime minister, imposed stringent currency controls yesterday to pull the ringgit out of international financial markets.

Dr Mahathir also announced draconian restrictions on currency holdings by Malaysian residents and foreigners in an attempt to regain authority over his deteriorating

pushing the benchmark stock index down 13 per cent to 262.70 points almost 80 per cent lower than its pre-crisis peak.

"People can no longer stay with the free-market system," Dr Mahathir said. "The world is not moving ahead, it is moving back-

Dr Mahathir has banned the trading in ringgit instruments among offshore banks and stopped Malayhanks and stockbroking companies. they will settle trades under the new Markets have failed, Page 3

He announced that the M\$100m in system that brings all trading Editorial Comment, Page 11

must be repatriated within one stopped quoting the ringgit. month or it will have no value.

Residents cannot take more than prior approval to make payments to non-residents to invest abroad more than the equivalent of M\$10,000 in

foreign currency.

Foreigners who sell shares cannot repatriate earnings for a year, Dr Mahathir said. At the same time, travellers cannot bring in or take out more than M\$1,000 cash. Payment for all exports and imports must be made in foreign currency.

The currency controls are so comprehensive - and unorthodox - that a row last week over their implementation prompted the resignation of Ahmad Mohamed Don as central bank governor, and that of his deputy, Fong Weng Phak.

The ringgit strengthened as inves tors rushed to cover short positions, sian institutions offering domestic but then trading halted as offshore credit facilities to non-resident dealers attempted to determine how

cash circulating outside the country onshore. Offshore banks simply Economists suspected a fixed

exchange rate would come next and M\$10,000 worth of foreign currency Dr Mahathir alluded to it. But the out of the country. They require central bank insisted the value of the ringgit would be determined by market forces.
"This is definitely a step back-

wards," said Paul J. Alapat, senior economist at Indosuez W.I. Carr Securities. "It is an effort to close the doors and reflate the economy." Some economists suspected the plan might work in the medium term if those with ringgit abroad bring it back instead of converting it into foreign currency, and no more outflows are permitted. But, either way, reforms of the banking and corporate sectors must take place.

"It's not a long-term sustainable solution," said Neil Saker, head of economic research at SG Securities. "Over time, the growth impetus will start fading away."

See Lex

US government accuses Microsoft of intimidating other sector giants

Louise Kehoe in San Francisco

The US government broadened its legal attack on Microsoft yesterday by accusing the world's largest software company of trying to intimidate sector giants to protect its monopoly position.

In court filings published yesterday, the justice department and 20 state attorneys-general shifted their case away from the battle over the marketing of internet software and towards Microsoft's monopoly position in the wider computer industry.

The government said the company had sought to stop Intel, the world's largest microprocessor producer, marketing internet video software in out the US computer industry.

ments with rivals was "part of a its case. However, much of the 86-

pattern of using its control over the monopoly operating system to make competing products operate, or appear to operate, less effectively", the government said.

The government's arguments mark a turning point in nine years of antitrust investigation of Microsoft and litigation, initially by the Federal Trade Commission and then by the justice department.

In its initial lawsuit, filed in May, the government accused the company of attempting to stifle Netscape Communications, Microsoft's internet software rival.

The government has hesitated to broaden its case, partly because of the difficulty of devising remedies from developing its own software. It that would prevent continued also said Microsoft further alleged abuses. A break-up of the attempted to stop Apple, its bitter company, for example, could have rival in operating systems, from substantial negative effects through-

Microsoft's attempts to win agree- government is attempting to bolster

Microsoft's motion to have the case dismissed as well as the company's arguments concerning its activities in the browser market.

The government also accused Microsoft executives - particularly Bill Gates, its founder - of "an astonishing lack of recall" in interviews about their actions. Microsoft dismissed the new alle-

gations as "groundless" and said it was "unfortunate that the government had lost faith in the substance of its case and was now resorting to gratuitous name-calling".

"All of our executives have been very co-operative with the government investigators and answered every question to the best of our abilities. It is clear that the facts do not support the government case, so it is not surprising that the government does not want to hear the

Justice department widons net, Page 7

Rioting youths in Indonesia's Aceh province overturn a truck before setting fire to it. Many Chinese-owned atores were also attacked.

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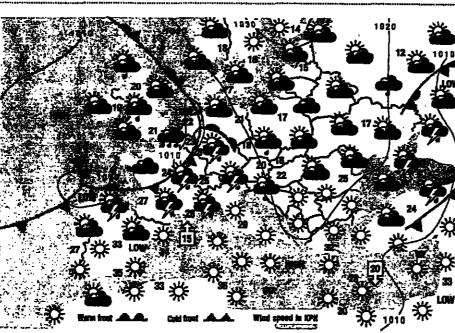
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FT WEATHER GUIDE

Europe today will bring supshine after a cool start. France and western Europe will have locally heavy rain and torms as the fading for hurricane Bonnie moves in from the west. There may be further the Alos late in the day. Most of eastern Europe will be dry with sunny intervals. The south of the will stay hot and sunny

Five-day forecast Heavy rain and thunderstorms will move east across northern Italy, Austria and Germany tomorro reaching eastern Europe on Friday. Northern Scandinavia, the Baltic states and western Russia will remain fine, but it will be cold at night. North-western Europe will be unsettled, but the Mediterranean



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COMPANIES & MARKETS

WEDNESDAY SEPTEMBER 2 1998

FINANCIAL TIMES



UK energy

companies

Southern Electric and Scottish

Hydro-Electric are to merge,

creating one of the UK's big-

gest energy businesses, with a

market capitalisation of £4.8bn

The deal, announced yester-

day, brings together the coun-

try's only two regional electric-

ity suppliers not to have been

involved in a takeover or

merger out of 14 privatised in

the early 1990s. The transac-

in \$7.9bn

merger

By Andrew Taylor,

Italian bank branches out but strategy is rooted at home

Banca Popolare di Verona, the Italian regional co-operative bank, seems unconcerned by the Asian financial turmoil. It has opened an office In Hong Kong to support its small and mediumsized corporate customers. But it insists its strategy remains rooted in Italy. Page 16

SWX to open office in London.

The Swiss Exchange, Europe's fourth biggest stock exchange, is to open an office in London in a bid to regain its position as Europe's main eurobond trading centre. The SWX is seeking UK regulatory approval and its London office could open before the end of the year. Page 20

Skymark flies in face of tradition



Jun Okawara (left), founder and president of Skymark Airlines, Japan's first new airline for 35 years, defied authorities by refusing to set minimum fares. Skymark's debut marks the end of a two-year struggle against the traditional way of doing business in the tightly regulated airline indus-

try. When flights begin next week, Skymark's fares will be 50 per cent less than those charged by the established carriers. Page 15

US groups in automotive sell-offs A string of disposals suggests some US conglomerates are dismantling their carefully assembled car parts operations. ITT Industries and Cooper Industries, which also makes electrical equipment, have raised \$5.5bn dismembering their automotive empires. Page 14

India to set up soyabean exchange India is to set up a domestic futures exchange for soyabeans, the country's third largest oilseeds crop after groundnut and rapeseed. The Soyabean Processors Association has been given the go-ahead to start trading futures in soyabeans and soyabean products. Page 22

São Paulo suffers mood swings



First Leisure

Hitzchi America

HvocVereinabani

III industries

anotion bas straint back

ommodities prices Infrience announced, UK

Bond prices and yields

BAS currency rates Euro prices

Eurobone orices

Henlys

The São Paulo Stock Exchange has seen days of dizzving swings, culminating last

Thursday with a fall in the Bovespa Index of almost 10 per cent. The Brazilian market has been among the hardest hit by the Rustwo main reasons. One is Brazil's liquidity. The

other is the perceived risk of a devaluation or other economic shock treatment. Page 32

COMPANI	ES I	N THIS ISS	UE	lines leased from telecoms
Credit Bank	4	Intel	12	IBM built the data network
Agusta	6	KPMG Peet Merwick	14	to allow its regional offices to send data around the world
American Airlines	8	KPN	16	7
Apple	12	Kla	15	
Applied Power	17	Lloyds TSB	8	
BSL	16	Logica	28	
Banco Pop di Verona	16	London Bridge	28	
Barcleys	17,28	Long Term	4	
Ball Halicopter	4	Mayflower	17,28	
Soeing	1,14	Mayr-Meinhof Karton	16	
British Akways	8	Microsoft	7,12	
Bunzi	17	Misys	26	
CRH	17	Mobil	13	
Canal Plus	16	News Corp	14	Lou Gerstner, chief executive, has
Coca-Cola	15	Opel	16	helped restore group's fortunes
Cooper industries	14	Procter & Gemble	14	when telephone companies
Dairnier-Bertz	. 13	Publicon	17	lacked the infrastructure to
Dessault Aviation		S.D. Myers	4	handle data transmission. Companies such as AT&T,
Parada	47 28	Spfowdn/	28	WorldCom and Sprint in the

16 Suez Lyonnaise

14 Tata inclustries

17.28 Synthélabo

16 Telepiu

CROSSWORD, Page 22

MARKET STATISTICS

26.27 Energing Market bonds 20 FISE Actuales share ind

Foreign exchange Sits prices

LEADON STATE SERVICE

How Intl bood issues Recent issues, UK Stort-term by intes Stock markets at a glance

en telephone companies ked the infrastructure to adle data transmission. Companies such as AT&T, forldCom and Sprint in the US are investing billions of dollars to handle the rapid ncrease in data transmissions

the internet. The international reach of 28 Skymark Airlines IBM's network would make it an attractive asset to many of these companies. 17 Southern Electric

Analysts welcomed the move, saying there was little sense in IBM devoting resources to maintaining an international network when telephone companies were better able to do that job. IBM's data networking divi-

sion employs about 6,000 people, has revenues of about \$2bn and is profitable. The group plans to sell the physical network but will retain the services side, which provides corporate clients with

international data transmission services. Whoever buys IBM's network will get a substantial amount of business. The sale agreement is likely to include a contract to supply whatever data networking capacity IBM

requires to service its corpo-

rate clients. if IBM cannot get an adequate price it will continue to run the network itself. The move is a further reflec

tion of the changes being wrought at IBM by Lon Gerstner, chief executive, who has done much to restore the company's fortunes. He has also put IBM's printer division up

Joint venture with Mobil on polypropylene film founders

uring efforts yesterday with of its films business before the March, followed several end of the year. The venture, with antici-

pated sales of \$1bn a year, would have been the world's largest producer of the polypropylene film used to wrap cigarettes, snacks, sweets and pastries.

close at DM69.0 in Frankfurt. where the market closed slightly higher on the back of Wall Street recovery. Hoechst said it was now in talks with Mobil, beyond citing talks with another partner.

Telephone

groups eye

IBM's data

By Roger Taylor in San Francisco

and William Lewis in New York

International Business

Machines, the leading com-

puter company, is thought to

have received up to 12 expres-

sions of interest from tele-

phone companies keen to buy

its international data network.

for sale and is said to want to

complete the auction process

Most analysts expect that

the network will fetch up to

IBM declined to comment on

the auction but is understood

to have asked Merrill Lynch,

the investment bank, to seek

bids. Merrill Lynch also

1.300 access points - computer

switches - in 58 countries.

IRM and its clients can dial

into these access points, which

convert data for transmission

on long-distance telephone

declined to comment.

before December.

IBM has put the network up

network

auction

which would lead to a merger

concerned at the group's failure to complete the with-drawal from its chemicals and support businesses. businesses announced two years ago, as part of a shift towards life sciences. An initial series of deals, which included the transfer of

slowed to a trickle. Hoechst would details of the breakdown of

"cultural differences".

Daimler-Benz's

chronically loss-making com-

mercial vehicles division is set

this year to meet the compa-

ny's target of a 12 per cent

return on capital for the first

Kurt Lauk, head of the Ger-

man group's commercial

vehicles, said the division's

earnings would be "either just

over or just under" the 12 per

cent goal set for all Daimler-

Benz's business areas by Jür-

gen Schrempp, its chairman.

Daimler-Benz is the world's

Mr Lauk attributed the

recovery to strong European

and US demand for the group's

rejuvenated van and truck

range. Even in South America,

the group's other big market,

where demand had been

affected by economic difficul-

ties, sales had remained stable.

Commercial vehicle turnover

rose by 20.7 per cent to

seven months of this year, Mr

Lauk said. Unit sales rose by

21 per cent to 277,000. The

increases had prompted the group to raise its full-year

more than 480,000 units

worth about DM45bn. The

Mr Schrempp brushed aside

biggest truckmaker.

he said.

vans in 1997.

udement for 1999.

The venture, announced in scuppered the deal. months of talks and involved a letter of intent to combine the two companies' polypropylene film manufacturing, marketing have been a factor in the

would have created a 50-50 joint-venture. However, with Mobil bringing 230,000 tommes of production capacity to the venture

contributions.

had thrown up irreconcilable differences, it said.
The deal, which would have

created a business twice the ure to agree on valuations that size of its nearest competitor Another problem for Hoechst has been the political in the polypropylene films sensitivity to its attempts to consolidation in the sector. cut jobs. This is thought to Montell has since announced

the sale of its films business. with annual turnover of \$200m, to Applied Extrusion acquire the group's paints Technologies of the US. Montell said the strength of the Mobil-Hoechst venture would have made further heavy investment in its business nec-

would include job-cuts. But Earlier joint venture talks, which would have merged concerns in Germany over another Hoechst plastics business with a BP unit, were thought to have broken down The process of due diligence

tion will leave Southern shareholders owning about 55 per cent of the combined business and Scottish Hydro-Electric COMMERCIAL VEHICLES DIVISION SET TO MEET GROUP'S RETURN ON CAPITAL GOAL OF 12% shareholders 45 per cent. Jim Forbes, chief executive of Southern, who will become Daimler trucks to hit target

(\$7.9bn).

chief executive of the merged company, said the split reflected the stock market values of the two groups and involved no bid premium. Southern shareholders will

receive one Scottish Hydro share for every Southern share. Southern's share price vesterday slipped 2p to 558%p. Scottish Hydro rose 12p to

The merged group, to be renamed Scottish and Southern Energy, will be based at Perth in Scotland. It will supply electricity to 8.3m customers and own about 5 per cent of the UK's generating capacity. Mr Forbes said be did not expect the deal to raise competitive or regulatory Southern, which supplies

electricity to 2.65m customers in southern England, has only a small generating capacity of 700MW in England and Wales. Scottish Hydro, which supplies 634,000 customers, is better known as a generator, with

more than 2000MW of capacity in Scotland and 836MW in England and Wales. Mr Forbes said the merged

company would command greater capital resources to

Peter Young, who had previously announced his intention to stand down as chief executive of Scottish Hydro in 1999. will become joint denuty chair man of Scottish and Southern. He said the merger would provide substantial savings by such as information technology. Dresdner Kleinwort Benson advised Scottish Hydro and Credit Suisse First Boston represented Southern.

Lex, Page 12

Setback for Hoechst as deal fails

Hoechst of Germany suffered a further setback to its restructthe announcement that a joint venture with Mobil had found-

the German group's share price fall by 4.4 per cent to

This did little to reassure investors, who have become

The failure of the deal saw

its specialty chemicals business to Clariant of Switzerland for SFr4.6bn (\$3bn), has since

and sales, and development

The deal was expected to be completed by July 1, and

and Hoechst just 170,000 tonnes, this would have required an arrangement to balance the company's asset

Hoechst denied it was a fail-

choice of an equity fund,

rather than a trade buyer, to

Hoechst and Mobil had esti-

mated annual cost-savings

from the joint venture at \$40m

before tax. They said this

such cutbacks had not been a

factor in abandoning the deal,

business. Herberts.

said Hoechst.

DM25.8bn (\$14.2bn) in the first | Jürgen Schrempp, Daimler-Benz chi

steep falls in share orices impede planned takeover of Chrysler,

sales forecast from 440,000 to "The relative values of the group sold 417,000 trucks and two companies' shares has not changed significantly," Mr Schrempp said. "We are very suggestions that the economic optimistic the stock market events won't have any nega-

crises in Russia and Asia would affect Daimler-Benz's commercial vehicle sales this Both executives promised year - though he reserved further transparency for Daimler-Renz's commercial vehicles He said he did not expect the business. Traditionally, losses

in trucks and vans had been caused by the turmoil to hidden by the group's large Daimler-Benz's profits in its mainstream car operations.

The change would start by reorganising the group's powertrain unit, which makes engines, gearboxes and other big components for its commercial vehicles. Under the new structure, the group will be able to seek business from truck and van makers other

than Daimler-Benz. Underlining its new confi-

Daimler-Benz also revealed truck and van sales on a divisional basis for the first time. increased sales substantially

in the first seven months. In Europe, turnover in vans climbed by 16 per cent to DM5.6hn, while trucks climbed by 14 per cent to DM6.8bn. However, the biggest jump came in the North American free trade area, which incorporates the group's big US sub sidiaries, where sales rose dence in commercial vehicles, 44 per cent to DM7.6bn.

Telefónica earnings boosted by growth in mobile phones

Spain's fast-expanding mobile telephone market enabled the Telefònica group to maintain high profit growth in the first half, with a 16.2 per cent rise in consolidated net earnings to Pta98.11bn (\$640m). driven largely by the growth of

The six-month figures showed that the telecoms group, fully privatised last year, is for the first time obtaining more than half its profit from a combination of the mobile business and its extensive Latin America

The profit increase came in spite of alow growth in Telefónica's basic Spanish telephone business, where it has lost its former monopoly. More than 30 per cent of the net total was attributed to the mobile telephone division, which held 71 per cent of the Spanish market and produced higher profits in the six months - Pta34.8hn - than in

the whole of last year. Earnings per share were 6.5 per cent higher at Pta95.73 compared with Ptass.86 in the same period last year following a one-for-11 rights issue earlier this year. The Pta427bn issue, described by the company as the biggest capitalraising operation of its kind in Europe, was earmarked for

after sharp early losses to close 0.7 per cent down in Madrid at Pta5,690. This represented an accumulated drop of 28 per cent since

further investments in Brazil.

Although earnings were

slightly below some analysts'

expectations, Telefónica's

shares recovered yesterday

the Pta7,390 peak reached in July. Telefonica, Spain's larg-est company by market value, heavily in the past two weeks because of its commitments in Latin America – a region threatened with financial instability.

Overseas revenues rose almost 12 per cent to Pta443.8bn - 27 per cent of the group total - with the strongest growth coming from Argentina. Turnover in mobile telephones in Spain was nearly 25 per cent up at Pta212.9bn. The company said the two sectors contributed more than 50 per cent of total group profits and 40 per cent of turnover.

This proportion is set to increase following its latest forays into Brazil, consolidating its position as leading international telecoms group in Latin America.

In privatisation auctions last month, it led a successful \$5bn consortium bid for the São Paulo fixed-line operator. Telesp, and another \$1.2bn purchase of cellular businesses in the states of Rio de Janeiro and Espirito Santo.

Its Telefónica de España unit, which, under a recent reorganisation, runs its mainstream Spanish operations, increased first-half revenues by less than 4 per cent to Pta820.4bn. Overall turnover. net of intra-group sales, was 8.5 per cent up at Ptal.418bn. At operating level, consolidated profit was 21 per cent up at Pta429.2bn. The group said it had continued to slow down the rise in operating costs - 0.4 per cent higher than in the

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Murdoch steps down at Star TV

in Los Angeles

7.08

ven

Rupert Murdoch has stepped back from the front line in the battle to open Chinese markets and appointed Gareth Chang as chairman of Star TV, News Corporation's Asian satellite television service.

By surrendering his chairmanship of the loss-making be close to breaking even. relieved himself of one of his most testing jobs after years

Chinese authorities to allow News Corp more access to their market.

The appointment of Chinese-born Mr Chang, former head of international operations at Hughes Electronics' DirecTV satellite broadcasting subsidiary, marks a strategic shift at a time when Star is believed to

His appointment to the board of News Corp and the inner circle of the group's

strates the importance Mr frequently and investing in a and parts of the Middle East, Murdoch attaches to his hitherto uneven efforts to break into Asian, and especially Chinese, markets.

The relationship between Mr Murdoch and Beijing has been uneasy since the News Corp chairman's speech in 1993 which suggested the of Deng Xiaoping. spread of satellite TV services could undermine totalitarian regimes.

Since then, Mr Murdoch has been at pains to stress service in 1993. Its signals

of struggling to convince the executive committee demon- his goodwill, visiting China cover much of India. China joint internet venture with the People's Daily.

He has been criticised for his conciliatory moves, such as removing BBC news from the Star TV service and approving a \$1m book publishing deal for the daughter

Star, based in Hong Kong, has absorbed about \$2bn in acquisition costs and losses since News Corp bought the transmitting music videos, films, sport and English pro-

Mr Chang, a former McDonnell-Douglas executive, is credited with broker ing many commercial links in Asia, including the setting up of DirecTV Japan with six local companies.

He is also on the board of Apple Computer and the advisory board of the Nike sportswear group.

issues warning following sales fall

By Nikki Tait in Chicago

Eaton Corporation, the large Cleveland-based manufacturing group, warned yesterday that the troubles faced by its semiconductor equipment business were proving more extensive than previously

The division, it said, would now post a 40 per cent fall in sales in 1998, and an operating loss of around \$80m.

Three months ago, the group warned about the problems, and said it expec ted sales from the business to tumble from around \$450m last time to around \$330m in the current 12 months. It said earnings would swing from a \$30m profit to a loss of between \$40m and \$45m.

But yesterday's revised estimates, which envisage sales of only \$275m. acknowledged that the difficulties have continued to mount, with no end in sight Stephen Hardis, chief executive, said that the industry

activity "shows no sign of bottoming" and that "no one can say with confidence when conditions will begin to turn". He said Eaton was studying ways to pull the business

to a break-even position on the new projected sales levels, with the review likely to be complete within a month. The company has already cut 600 jobs in the division since the end of 1997. Any additional charges

"required to implement structural adjustments" would be included in the review, he said. Eaton had already cau-

tioned that the semiconduc tor equipment problems might prevent it from seeing an earnings improvement in

Ahead of yesterday's news, analysts were forecasting earnings per share of just over \$6 in 1998, compared with \$6.33 in 1997, according to First Call.

In July, Eaton revealed disappointing second-quarter profits, down from \$126m a year ago to \$114m. The drop was blamed on difficulties at business, and on the knock-on effect of strikes at General Motors and the Paccar truck company. Sales **NEWS DIGEST**

CONSUMER PRODUCTS

Procter & Gamble plans restructure to boost sales

Procter & Gamble, the US consumer products glant, plans its second big corporate reorganisation this decade, with job cuts likely, in an effort to boost profits and double its sales within 10 years. The group told shareholders in a letter accompanying the annual report at the weekend that business units would be based on products, instead of regions, marketing would be improved and corporate staff streamlined. However, it declined to say how many jobs

Sales have grown steadily in recent years, but not at a rate to achieve the goal of John Pepper, chairman, of doubling them by 2005. For the year ended June 30, the company had sales of \$37.2bn, up only 4 per cent from the year before. When Mr Pepper took over in mid-1995, annual sales were \$33.4bn.

Details of the plan will be announced in coming weeks.

The company's last big reorganisation was announced in July 1993 when Edwin L. Artzt was chairman. It closed 30 plants and cut 13,000 jobs world-wide. DJ-AP, Cincinnati

FINANCIAL SERVICES

KPMG revenues up 27% in US

KPMG Peat Marwick, the US firm of the global professional services giant KPMG, yesterday announced that revenues in the year ended June 1998 were up 27 per cent to \$3.8bn. The firm said it was aiming for a 30 per cent increase in revenues to \$6bn by 2000. Consulting revenues rose 50 per cent to \$1.5bn in the year.

These figures will be closely watched in the US where KPMG has announced it is considering a flotation of 30 per cent of its management consulting business. An initial public offering would be the first among the so-called Big Five. However, the firm is still at an early stage in considering an offering, and regulators may intervene. If the firm does seek an offering it will have to reveal details of profitability - otherwise obscured in the annual disclosure of revenues. Jim Kelly

ELECTRONICS

Hitachi to close Texas plant

Hitachi, the Japanese electronics group, is mothballing its Texas memory chip plant and laying off 650 workers in the latest response to the slowdown in the world semiconductor market.

The company is also merging its two California-based chip development units – Hitachi Semiconductor and Hitachi Micro Systems – into a single unit which will focus on developing Hitachi's microcontroller business. The new unit will also handle the sale of memory chips for Hitachi, which continues to manufacture memory chips in other plants around the world. The US operations are part of Hitachi America, a subsidiary of the Japanese group.

Kosel Nomiya, who is appointed chairman of Hitachi Semiconductors America, said: "The global semiconductor business continues to be dramatically affected by overcapacity in memory chips." However, he added that there were still significant opportunities for microcontroller chips. These chips are used to drive sophisticated control and monitoring capabilities to a wide range of other devices, from home appliances to industrial machinery.

The group said the Texas plant would be made idle immediately but would be kept in a usable state while its future was considered. The financial effects of the move wide sales of Y8,400bn (\$58.5bn). Roger Taylor, San Francisco

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Car groups start to squeeze component makers

Sell-offs replace period of expansion, writes Haig Simonian

painstakingly through Acquisitions, first at home and then abroad, US conglomerates such as FIT Industries elevated themselves into the first rank of the world's car parts makers small or But a string of disposals suggests some are now dismantling their carefully assembled operations.

In recent weeks, ITT Industries and Cooper Industries, which also makes electrical equipment and harddismembering their automotive empires.

its vehicle electrics division to Valeo of France. A further \$1.9bn came through the sale of its braking activities to Continental, the German tyres group. Houston-based Cooper raised \$1.9bn selling two automotive subsidiaries to Federal-Mogul, the fast expanding parts specialist.

More disposals may be on the way. AlliedSignal's surprise \$9.9bn hostile all cash bid for AMP, the world's largest supplier of electric and electronic connectors. has sparked talk it might have to divest some businesses to raise money. AlliedSignal is a leading producer of turbochargers, brake parts and filters.

Uncertainty even surrounds Tenneco, a once sprawling conglomerate now focused on packaging and car parts.

tipped to buy ITT's brakes businesses until an eleventh

fter years of growing Tenneco's parent company said it was examining spinning off its two subsidiaries' divisions.

The ITT and Cooper disposals would have raised few eyebrows had they been marginal operations. But the businesses were leading names in areas where consolidation had, apparently, reached its

ITT's brakes business, best known for its German-based Teves brand, ranks alongside Robert Bosch and LucasVarity in the world's top manufacturers. Among ITT raised \$1.7bn selling the brands sold by Cooper were household names such as Champion sparking plugs, a market leader. Three broad reasons

explain the readiness to sell: Conglomerates such as ITT and Cooper are becoming concerned about profit margins in the motor industry. Components companies commonly report earnings equivalent to about 6 per cent of sales. That is about twice that of vehicle makers, their main customers. The discrepancy bas prompted many vehicle manufacturers to target suppliers for price such as Jac Nasser, head of Ford's worldwide automotive business, have axed expenses internally and demanded similar sacrifices

from suppliers.

Vehicle makers have been demanding greater financial Tenneco Automotive, its commitments from suppliparts division, was widely ers. Car and truck manufacturers have tried to save hour withdrawal. Instead, development work onto their

1998 INTERIM DIVIDEND

THE 1998 FINANCIAL YEAR.

TNT Post Group N.V. is offering each shareholder a choice

in cash or entirely in the form of ordinary shares

charged against the additional paid-in capital, or, if

the shareholder so elects, against the other reserves.

lower than the value of the cash dividend. The number

of dividend rights entitling shareholders to one new

Payment of the interim dividend in shares charged against the

additional paid-in capital will be exempt from dividend

against the other reserves will in principle be subject

to 25% dividend tax over the par value of the payment.

tax in the Netherlands. Payment in shares charged

Ex-dividend listing of TNT Post Group shares and starting date for electing form of payment of interim

Closing date for electing form of payment of interim

shares based on the closing price on September 21,

Announcement of the interim dividend in shares after

Payment of dividend and start of delivery of shares in

stockbroker where the shares are in deposit before the

end of the option period whether you wish payment of your dividend in cash or in shares. In general, your bank

or stockbroker will indicate a preference on your behalf,

if you do not make your wishes known before the end

the close of trading on the AEX Stock Exchange.

connection with stock dividend conversion.

If you are a shareholder, you should inform your bank or

dividend (before the close of trading on the AEX Stock Exchange). Adoption of the proposal for the dividend in

The schedule for the 1998 interim dividend is:

September 2, 1998

dividend.

September 21, 1998

of the option period.

AEX Stock Exchange on September 21, 1998.

The value of the dividend paid in shares will be 2% to 5%

ordinary share will be established at a round figure based

on the closing price of TNT Post Group shares on the

of payment of the 1998 interim dividend either entirely

THE BOARD OF MANAGEMENT OF THT POST GROUP N.V.

HAS DECIDED TO PAY AN INTERIM DIVIDEND OF NLG 0.30

IN CASH PER ORDINARY SHARE OF NLG 1.00 PAR VALUE FOR

component companies. Instead of being banded detailed technical drawings and told to submit bids, suppliers are now involved more closely in vehicle develop ment.

be appeal for them is in winning exclusive, long-term With vehicles being produced globally, that could mean massive volumes. But a successful supplier would also be expected to invest heavily in research and development and, if necessary, in new capacity to supply its customer's plants just-in-time around the

 Sale prices for big components operations are looking full in historical terms. In May, Dana, a leading body parts specialist, paid about It times earnings before tax. depreciation and amortisation for Echlin, a braking and aftermarket parts group. That was comfortably above the margin of eight to nine times earnings common in the industry. "The vendors have looked

at their other businesses and decided they can get better cuts. Fearless cost cutters, returns on their capital," says Greg Melich, motor industry analyst at Morgan Stanley in London.

John Riley, Cooper chairman, justified its decision, saying: "Given the growth potential we see in our electrical products and tools and hardware segments, we believe that our shareholders would be better served money by devolving product by our focusing on and growing these core businesses."



Dick Snell: set goal of \$10bn sales by 2002

But while some companies have taken their parts operations to bits, the amounts they have raised shows there is no lack of buvers for such one-off opportunities. Valeo's purchase will

increase its sales by about a third to FFr45bn (\$7.6bn), based on its 1997 figures. The deal will enable the French group, previously the world's 14th biggest parts maker, to expand its business with US and German carmakers - ITT's main customers - and reinforce its strong position in parts, such as wiper systems and

electric motors. Continental's \$1.9hn bid for ITT's braking division. meanwhile, showed tyre manufacturers could pump up their low-margin busises by moving into ancillary products. The step

> TNT Post Group N.V with its registered office

in Amsterdam, the Netherlands

Banks and stockbrokers are requested to submit the dividend

rights which are the subject of their client's dividend

payment options to ING Bank N.V. in Amsterdam,

ABN Amro Bank N.V. in Amsterdam or Rabobank

Nederland in Utrecht, not later than September 21,

1998 (before the close of trading on the AEX Stock

Exchange). Shareholders whose preferences have not

been indicated will receive the dividend in cash after

connection with stock dividend conversion will start

September 25, 1998. The new ordinary shares entitle

shareholders partially to the 1998 dividend and fully to

Payment of the dividend in cash and delivery of shares in

Delivery of ordinary shares to banks or stockbrokers will

take place based exclusively on the total number of

Member of firms of the Amsterdam Exchanges in will receive

exchange their dividend rights free of commission.

Please note that a report on the financial results of

The Board of Management

September 2, 1998

Amsterdam

the compensation stipulated in the 90-56 circular for the

conversion of dividend rights to enable shareholders to

TNT Post Group for the first half of 1998 is available and

can be obtained through Morgan Stanley Dean Witter,

25 Cabot Square, Canary Wharf, London EI4 4QA, UK.

dividend rights delivered by the bank or stockbroker on

September 21, 1998. Remaining fractions will be settled

deduction of 25% dividend tax.

the dividends of subsequent years.

formed part of the tyremaker's long-term strategy to supply entire automotive "corners", including tyres, brakes and ride components. as part of the broader trend in the motor industry towards providing modular assemblie

After the acquisition, Continental's sales will be divided equally between tyres and other components before, tyres accounted for about 70 per cent. Federal-Mogul's move

appeared equally astute. The group, which has been growing frenetically through acquisitions under Dick Snell, its chairman, will expand its limited presence in braking and lighting and develop its lucrative aftermarket side. Sales should climb from more than \$5bn to \$7bn - closer to Snell's

\$10bn goal by 2002. The vendors are pleased to get out, and the buyers think they can do better out of the businesses by leveraging their costs over much bigger slipped from \$1.91bn to volumes," says Mr Melich. \$1.71bn.

years.

Woodard pays for 'surprises'

Loss of BA order probably not the trigger for sacking of Boeing executive

By Michael Skapinker Aerospace Correspondent

sacking of Ron Woodard, head of Boeing's commercial aircraft division. signals the exit of one of the aerospace industry's great

The departure of the plainspeaking, imposing 55-yearold, announced yesterday, might not be permanent. He is still talking to Boeing about taking another, unspe-

And if he does leave Boeing, where he has worked for 32 years, he might turn up elsewhere. He is widely recognised as one of the world's best aircraft sales-

The decision by the Boeing board to remove Mr Woodard came after a dreadful reek for the company.

It had failed to win a large order from British Airways, one of its most loval customers, which decided to buy up to 188 narrow-bodied aircraft from Airbus Industrie, had been rumoured fre-

the European consortium.
The setback followed months of production difficulties in Boeing's civil aircraft factories, which helped push the group to a \$178m loss last year, its first for 50

By Monday, when the board took, its decision to fire Mr Woodard, Boeing's share price had lost 43 per cent of its value over the In an attempt to limit the

damage, the board announced a buyback of up to 15 per cent of its shares The production difficulties, which resulted in somelines being suspended for a month last year, were the result of Boeing sharply

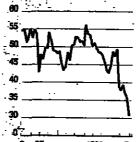
increasing output in an attempt to meet a spurt in airline demand. Mr Woodard dismissed those who suggested he should have foreseen the

problems as "second-guess Mr Woodard's dismissal

-Sep 97.

market share.

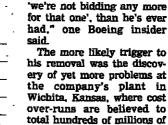
"He had more praise and 'attaboys' from the analysts' community for drawing a line in the sand and saying



quently. Each time, Boeing insisted he was staying. that Mr Woodard was sacked

Observers reject the idea for losing the BA order. Indeed, refusing to match belated attempt by Mr Woodard to put profit before

prises," one observer said.



total hundreds of millions of Mr Woodard bad lived dangerously for years. When the **European Commission was** examining Boeing's proposed takeover last year of McDonnell Douglas, and comment that might upset

Brussels, Mr Woodard cheerfully announced that his strategy towards Airbus was "to bury them". His colleagues winced, but laughed it off.

But the discovery that there were yet more, previously undisclosed cost problems in the civil aircraft division was the final straw. "The board doesn't like sur-

Financial Times Surveys

Brazilian Finance and Investment

Tuesday September 22

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FINANCIAL TIMES

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CONTRACTS & TENDERS

Derek van Tienen

email: tracey.endacott⊚FT.com

HNANCIAL TIMES

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FINANCIAL TIMES WEDNESDAY SEPTEMBER 2 1998 ★

wine australian producer to buy back 1.6% of Capital

BARS WEDNISDAY SLIPE VIRER - 15

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MANCIAL SERVICES

PMG revenues up 27% in US

Marketing rough St. par cally to \$1 11th as the PMG has arrangement it in agreement

Ittachi to close Texas plant

SHIP HERELY TO THE WARRENCE - THE · **阿拉斯斯斯斯斯 安 斯斯**斯斯斯斯斯 1997年 Marian primary and the State of the second Received Administration of The Section Section 19 A committee water before the a state of the contract of tighten directorization for the first state of the contract AND THE PROPERTY OF THE PROPERTY OF THE PARTY OF THE PART **動物であり物をある。東京教師の時では「これ」として** Briggs facerities, with it was rectified a little of water in the rate of the transaction of Marie Carlotte and Salary Contract of the gangle and the first and the second of the pro-THE RESIDENCE SECTION AS A PROPERTY AS

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Wednesday September

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Procter & Gamble plans nstructure to boost sales

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The company of the two services of the service with and the Audit have severed their DJ AP, Commission

PART Plant Mariately than 15 here of the BING MANAGE SHAPE REPORTS TO STATE S addition in the year unded there togo and the \$1 Abo. The firm and discuss damage. with Environment of the Control of the Control Plank figures with the atmospherical visit of the analysis Experience no transferent constitution of the The second section of the second section secti The second state of the second the an educati and respective the the same or allowing it was been to the order Mary afficerated chieceses; at the particular days have

wara is a revolutionary. In cessful low-cost carrier **新疆的作品的第三人称单数 医对乙二氏小三** country's first low-cost, no- ing stewardesses and reasonfrills airline, he has chal- able fares. Mr Okawara saw lenged stubborn bureaucrats his opportunity after the coland executives from the lapse of the bubble economy industry's biggest carriers, in the early 1990s, when profand defied the odds of the its at the big airline carriers financial crisis gripping were tumbling.

> industry standard by refusing to agree to minimum fares for Skymark flights in his application to the MoT. When flights begin next week, Skymark's fares will be 50 per cent less than those charged by the established carriers - Japan Airlines, Japan Air Systems and All Nippon Airways - on the route between Tokyo and

> > rivals significantly. Not much about Skymark, or Mr Okawara, is conformist. In Japan's corporate

Strong demand for

Australian wine in European and North American markets, helped Southcorp, the reflected the board's belief ous year. Australian wine, appliance that Southcorp's share price and packaging group, post was undervalued. The buy-record profits for its fifth back would also belp offset Southcorp, one of the policy.

double-digit growth.

takes to the

Japanese skies

I un Okawara looks like stay with one company for

an unlikely force for life; he has switched jobs

Uchange in Japanese and industries several times,

industry. He is softly spoken dabbling in electronics, sales

and has an easy, boyish and finance. He even spent

visitors himself, an unusual company in the US.

courtesy in Japan's corpo-

rate culture.

world's largest producers of For the year to June, premium wines, yesterday Southcorp's net profit before also announced a share buyback of 10m shares, or 1.6 per cent to A\$157.1m per cent of its capital, from (US\$90m) and sales grew 7 The stock market wel- mal charges of A\$18.25m, comed the news, sending including A\$13.3m for the year.

Southcorp shares up 22 cents restructuring the domestic Graham Kraehe, chief arms, brought bottom-line executive, said the buy-back net profit to A\$143.9m. - the group's first - against A\$135.3m the previ-

European demand aids growth at Southcorp

Mr Kraehe expected all the businesses to increase earnings in the year to June, consecutive year of any dilution of the compa- although the packaging arm ny's dividend reinvestment suffered in the previous year because of Asian economic turmoil. Southcorp's direct exposure to Asian markets extraordinary items rose 16 represented only about 3 per cent of sales and included Japan, its largest Asian wine per cent to A\$2.7bm. Abnor- market where wine sales surged nearly 90 per cent in

Mr Kraehe said interna- its hedging arrangements, the UK saw the strongest appliance and packaging tional sales had been the key Mr Kraehe said. driver of Southcorp's growth and were now growing at a fastest growing business for faster rate than domestic Southcorp, climbing 15 per sales. Sales outside Australia cent in the year to nearly averaged 40 per cent comrepresented 45 per cent of A\$600m. In the next few

> the previous year. Despite the Australian dol- Kraehe predicted. lar's fall in the period, the group's foreign-exchange gains were limited because about A\$20m after adjusting wine capacity. In Europe, A\$118m.

Wine now represented the total revenue in the year to years, wine, which repre-June, an increase of more sents 35-40 per cent of total than 5 percentage points on sales, would generate the all growth rate of wine sales majority of revenues, Mr

The group is emphasising its premium red wines, including the Penfold's ating profit jumped 65 per of long-term currency hedg- Grange Hermitage label. cent to A\$62.1m. The packaging arrangements. In the Earlier this year, Southcorp current year, however, said it would invest a further A\$1.1bn and operating profit Southcorp expects gains of A\$150m in doubling its red fall nearly 10 per cent to

growth in wine sales increasing 32 per cent in the grew 47 per cent and has pound growth for the last four years. "Going forward, however, we expect the overto slow to about 27 per cent

annually," Mr Kraehe added. Appliance sales rose 14 per cent to A\$1.06bn, while opering side saw sales slip to

sung, were disqualified from the auction after they demanded more debt write-offs, while Ford and Hyundai bid below the minimum asking price of Won1,100bn for

CHINA

SOUTH KOREA

Coca-Cola targets tea market

NEWS DIGEST

New auction planned for

bankrupt Kia motor group

Another auction for the bankrupt Kia motor group will be

held after the first attempt to sell South Korea's third-larg-

est carmaker was formally cancelled yesterday because of

Kia officials said details and the schedule of the next

auction have yet to be confirmed. They are discussing the

issue of debt write-offs with creditor banks, which have

demanded that Kia's buyer must assume all its principal

All four bidders for Kia, including Ford Motors of the US

low bids and demands for bigger debt write-offs.

debt. Kia's debt burden is currently estimated at

Kia and its truck division. Asia Motors.

Won13,000bn (\$9.6bn), Including interest payments.

and the Korean carmakers Hyundai, Daewoo and Sam-

Coca-Cola, the US soft drinks maker, is targeting China's non-fizzy market with products such as ready-to-drink tea. according to Mickle Leong, vice-president and general manager of the company's China brand. Coca-Cola has Just under 1 per cent of the Chinese non-carbonated beverage market, which makes up 60 per cent of the entire beverage market of 62.4bn cans annually.

Growth for Coca-Cola's China brands, which include Tianyudi tea, mineral water and fruit juices and Smart carbonated fruit juices, will be 10-fold this year and next year, Mr Leong said.

Coca-Cola reported a 26 per cent growth in sales of all its products in China in the first half of the year but expects the summer's floods to affect production and consumption in the third quarter. Mr Leong said the company was happy with its 30 per cent share of the fizzy-drinks market but could do better in a growing market.

Mainland Chinese citizens consume just six servings of cola a year. This compares with 150 servings in Hong Kong and 400 servings per year in the US. AFX-Asia, Shanghai

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Quiet revolutionary Skymark, the country's first new airline for 35 years, has defied the authorities by refusing to set minimum fares, writes Alexandra Harney





Jun Okawara: 'There used to be a need to protect our industries but we don't need that kind of protection anymore. We have grown up.'

manner. He fixes coffee for several years with a steel "I was always thinking about what I would need to Skymark's debut comes at But as the founder and learn to start an airline," a critical time for Japan's president of Skymark Air- says Mr Okawara. He envilines. Japan's first new air- sioned a company like line for 35 years, Mr Oka- Southwest Airlines, the sucamounts of debt. Analysts reservation system. also contend that Skymark triggered a bureaucratic reversal. In the past, new entrants were blocked

> because ministry officials determined each airline's

"It is quite a big break

with the past. The interest-

ing thing is that even if poli-

ticians were to have said

up, they would have had to

the regulations for new

entrants somewhere. I think

they had to make a lot of it

up along the way," said

Douglas Havashi, industry

analyst at HSBC Securities.

For the Japanese con-

sumer, Skymark's timing is

good. The crisis in the finan-

cial system has made price

more important to consum

ers. analysts said. "In the

post-bubble era, consumer

price-consciousness

increased, and domestic air-

fares stuck out like a sore

thumb. While prices in other

sectors were falling, air fares

remained conspicuously

Skymark aims to reduce

high," said Mr Hayashi.

market share.

In early 1990, he Skymark's debut marks approached Hideo Sawada, the end of a two-year strug-gle against the traditional gest discount travel agency, way of doing business in the with a plan to found a lowtightly regulated airline cost airline. It was their first overnight that they would industry, where the Ministry meeting, and the beginning allow a new airline to start of Transportation (MoT) sets of Skymark.

ithout the name rec-Mr Okawara set a new ognition of HIS, which eventually bought 60 per cent of the airline's shares, and Orix, the credit company that holds 26 per cent of the equity, no Japanese politician or bureaucrat would ever have been sympathetic to his. requests, Mr Okawara said. He refused to specify a minimum fare - one of the regu-Fukuoka. It will be the first lations that has discouraged price competition between time a domestic airline has the established carriers.

dared to undercharge its After months of negotiation, the company gained permission to fly the Tokyo-Fukouka route, the second world, where most people most heavily travelled route

in the world after that operating costs by hiring between Tokyo and Sapporo. pilots and using mainte- already visible. The three lines, common practices struggling airline industry. among low-cost airlines in fares between 15 and 40 per be a need to protect our The three established air- the US and Europe. The cent on some flights, industries in Japan, and at lines are struggling under company will also become shrinking profits, high oper the first airline in Japan to Fukuoka route. Another low- we don't need that kind of the battle to establish the famous in the US for its sing ating costs and enormous use a ticketless computer cost carrier, Air Do, has protection anymore. We

The airline's influence is to start domestic flights. nance crews from other air- big carriers have already time has come for a shakealso applied for permission have grown up.

including the Tokyo to the time, that was good. But

STRATEGIES FOR MARKET VOLATILITY:

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NOTICE TO SHAREHOLDERS

PARIBAS SOLEIL

ard of Directors decided on June 30, 1998 in agreement with the Custudian, to terminate the operations of the Paribas Soleil Fund, because of the continuous reduction in the fund's size, and to proceed with its liquidation.

In accordance with Point 1, last paragraph of the prospectus, issues and redemptions of shares are suspended as from June 30, 1998. The calculation of the net asset value is also suspended as from the

It is expected to reimburse the remaining shareholders the corresponding net proceeds of liquidation per share that will be determined by the Management Company at the closing of the

The effective liquidation will start on September 30, 1998 and shares should be presented to the Paying Agent, Banque Paribas Luxembourg, 10A, Boulevard Royal, Luxembourg as from that date. At the close of Laquedation, any outstanding amounts will be deposited with the Catsse des Consignations in Luxembourg on behalf of the beneficiaries.

For and on behalf of the Board of Directors

CONTRACTS & TENDERS

NOTICE FOR INTERNATIONAL TENDER

No 002/PAMARF/98

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TELECOMMUNICATIONS

NEWS DIGEST

Ericsson pulls out of

ried out by the Rangoon government.

Burma after US boycott

Ericsson, the Swedish telecommunications group, has cut

all business ties with Burma because of threats of a con-

sumer boycott by US activists hostile towards the ruling

Burmese military junta. The US has targeted Burma with

Ericsson said yesterday it feared its involvement in Burma - one of its smallest markets, with sales of just

US. "The level of activity around this issue has been

increasing such that it may now have an impact on our

shareholders and customers," said a senior Enceson official. He stressed the decision to pull out was taken on commercial grounds and was not a moral judgment.

sanctions to protest at human rights abuses allegedly car-

SKr20m (\$2.5m) last year - could harm its business in the

KPN edges ahead to Fl 1.01bn at midway

KPN, the privatised Dutch telecoms group, achieved a record increase in first-half was forced to respond to new competitors and a tougher

As a result, net profits edged just 3.5 per cent higher to Fl 1.01bn (\$507m). Hans van den Bosch, chief financial officer, last night

back. Income was being to Mr van den Bosch, as boosted in part by a voicemail service, initially offered free to domestic customers, modem to the internet. which meant that "4-5 per cent more calls were being completed than before".

Revenues rose 9.3 per cent to F18.33bn, as a surge in volumes was offset by the ket through a cut-down verlower prices. Growth in demand also reflected an users, where KPN operates

much as 11 per cent of call traffic being initiated was by

KPN controls World Access/Planet Internet, one of the country's leading serattempt to widen this mar- esia and a further negative sion called Het Net is regarded by industry observ-

Mr van den Bosch

loss in the contribution from its affiliates, compared with Fl 26m profits last time.

Profitable involvements in countries such as Ireland and the Czech Republic were vice providers. But an offset by weakness in Indonresult at Unisource, the European telecoms alliance, which cost Fl 102m.

However, Unisource with which AT&T of the US

of a dip into a FI 11m pre-tax KPN's plans for foreign mar-costs of the local loop where kets, Mr van den Bosch said. calls originate or end. He added: "I think alliances will remain in certain markets or services but not on

> the scale as before." KPN said a ruling due within days from Opta, the industry watchdog, "could have an effect on future results". Opta is due to pronounce on tariffs proposed by KPN for providing connections to rival services. Fl 800m, to be taken late this

how the group was fighting work. In addition, according national strategy in the face its ties - formed only part of hibited from passing on

But Mr van den Bosch said he did not expect substantial price decreases in the second half. KPN left unchanged full-year forecast of a slight increase - of 2-1 per cent in net profits from the Fl 1.94bn achieved by the then PTT Telecom in 1997.

That comes before a pretax charge of Fl 500m year, to cover job cuts.

PHARMACEUTICALS

Greg McIvor, Stockholm

Synthélabo advances 17.9%

herapeuric ntibodies Synthélabo, the pharmaceuticals subsidiary of L'Oréal, the French cosmetics group, yesterday reported a 17.9 per cent rise in first-half pre-tax profits to FFr1bn (\$169m), which it attributed to strong growth in sales. These were ahead 8.3 per cent to FFr6.24bn.

Stripping out the effects of currency and acquisitions mainly the consolidation of Sanorania, the German generic drugs group acquired last year from Pharmacia & Upjohn - growth was 7.1 per cent. The company said yesterday that it was still looking to lift sales through acquisitions.

"It is part of our strategy to make acquisitions in countries where we want to reinforce our position, or when we want to develop our specialties - the central nervous system, cardiovascular, urology and gastrointestinal," the company said.

Synthélabo already derives about 70 per cent of its revenues from overseas markets, mainly in the rest of Europe, North America and Japan.

The group forecast full-year sales growth of 8 per cent. and said the pre-tax figures would show a steeper increase. Last year it reported net profits of FFr1.1bn. Mark Mulligan, Paris

SHIPPING

VLCCs buoy Frontline

Frontline, the Norwegian-owned tanker operator, yesterday reported record quarterly results, helped by the increased size of its fleet and improved trading of its very large crude carriers (VLCCs). Second-quarter net income rose tenfold to \$14.7m from \$1.4m in the year-earlier period. Earnings before interest, tax and depreciation, including earnings from associated companies, rose from \$25m to \$33.6m while net operating revenues for the first six months rose from \$86m to \$105m.

Yesterday's results were the first since Frontline acquired control of three ship-owning companies, which added six new VLCCs and four modern Suezmaxes to its fleet after it merged with London & Overseas Freighters. Frontline predicts the third quarter will show a "stable to positive development in operating profit", based on the increased fleet and strong VLCC earnings. Valeria Skōld, Oslo

Iberdrola boosted by rainfall

Iberdrola, Spain's second largest power utility, raised its attributable net profit by more than 10 per cent in the first half-year to Pta54.43bn (\$363m), the biggest increase in the sector and ahead of market expectations. High rainfall enabled the company, which is heavily geared to hydroelectric production, to increase its overall output of electricity by more than 5 per cent.

Operating profits rose 16 per cent to Pta107.9bn in spite of a 3.63 per cut in Spanish electricity prices under plans agreed with the government for deregulating the industry. lberdrola said it reduced its outstanding debt by Pta50.9bn in the period to Pta843.6bn. David White, Madrid ■ Grupo Union Fenosa, the Spanish electricity-based conglomerate, said yesterday its first-half net profit rose 5.4 per cent to Pta15.68bn, slightly below analysts' expectations. The group said first-half sales of Pta200bn were not comparable with last year's Pta172,55bn because of new accounting standards for electricity companies. Its listed parent company, electricity provider Union Fenosa, showed a net profit rise of 3.1 per cent. AP-DJ, Madrid

LEGAL

DEPARTMENT OF PUBLIC

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gave analysts a picture of the Netherlands' largest net- defended the group's inter- plans over two years to cut after the company was pro-VW dismisses speculation over trucks takeover

By Haig Simonian in Hanover

Volkswagen. Europe's said. biggest carmaker vesterday confirmed its ambition to expand into the heavy truck business, but pulled back from earlier statements that it intended to do so by buying a leading manufacturer. VW said its priority now

was to shorten the lengthy order backlogs which had built up for many new models, such as the Golf. The company also appears to have decided to wait until the next big downturn in commercial vehicle demand. rather than pursue an acquisition at current inflated

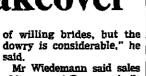
The speculation about VW's takeover plans, fuelled Adam Opel, the German by Ferdinand Piech, chair subsidiary of General man, has caused turmoil in the truck industry. MAN of Germany and Sweden's missed speculation they are among VW's prime targets.

Bernd Wiedemann, head of division, said: "We are not under any time pressure." Although buying an existing manufacturer would accelerate VW's plans, the company was "investigating other possibilities", such as joint ven-

of willing brides, but the

Mr Wiedemann said the

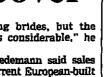
Motors, expects sales of about 150,000 commercial vehicles a year in western Scania have regularly dis- Europe by 2005. Gary Cowger, new Opel chairman, said the growth would come mainly from the company's VW's commercial vehicles co-operation with Renault of France to produce a new generation of medium and heavy vans.



higher than 1996.

world market for commercial vehicles, including sports utility products, would grow by about 20 per cent in the next three years. He forecast the fastest increase in central and eastern Europe, where sales more than 700,000 units. subsidiary of General

products. "There are plenty years.



Mr Wiedemann said sales of its current European-built light commercial vehicles had climbed 7 per cent to 160,000 units in the first eight months of this year. Turnover reached DM7.6bn (\$4.3bn) last year, 18 per cent

should soar by 70 per cent to

Mr Cowger said the company would invest more than DM8bn in Germany to develop new products and | ticipate in a future European tures or developing its own facilities over the next five



Albrecht Schmidt, chief executive of the new HypoVereinsbank, gives the "thumbs up' sign in front of the new bank's offices in Munich HypoVereinsbank, created by the merger of Bayerische Vereinsbank and Bayerische Hypotheken- und Wechsel-Bank, was of

Canal Plus wins soccer rights

By David Owen in Paris

media group, last night announced that four top Italian soccer teams bad awarded exclusive broadcasting rights to Telepiú, its 90 per cent-owned Italian subsidiary, for six seasons for an undisclosed sum.

The quartet - Juventus, AC Milan, Internazionale and Naples - include three of the teams expected to parsuper league if the venture gets off the ground.

remained within the bank's

Net interest income

increased 6 per cent to

BFr28.9bn, while non-inter-

est income increased 15.9 per

cent to BFr23hn, because of

strong growth in commis-

sions. The limited cost

increase improved the cost-

income ratio from 61 per

cent to 57.3 per cent.

target of 0.4 per cent.

Canal Plus said the agreement is to take effect in September 1999 and extend through to June 2005.

It said the rights were for Telepiú's premium channels and its pay-per-view soccer service. PiúCalcio, which is part of its D Più digital pack-It said the deal would pro-

vide Telepiú and D Piú subscribers with live coverage of matches involving the

Michel Thoulouze, Telepiù chairman, said the four cup would remain with the accounted for 65 per cent of league.

the Italian pay-per-view mar-

Canal Plus has also obtained rights to the worldwide broadcast rights of Juventus, AC Milan and Internazionale for the same period, to be marketed by its new subsidiary, Sport Plus.

Mr Thoulouze said the Italian football league had agreed that pay TV and payper-view rights should be negotiated on a club by club basis, although rights to highlights and the Italian

answer directly when asked whether the deal covered the eventuality of the clubs playing in an eventual super

However, he said that if forced to choose between a super league and the Italian league for pay-per-view rights, he would choose the latter. "There is no super league for the moment," he

Italy has become the centre of a political battle over the rights to broadcasting

shrugs off jump in |MMK seeks buyer for provisions with 15% rise paper recycling division

depreciation, write-downs

and provisions more than

doubled from BFr5.34bn to

The difference resulted in

for BBL's Asian exposure -

downs on holdings in Asian

subsidiaries, including a

BFr353.1m writedown on the

investment portfolio.

BFr10.8bn.

By Neil Buckley in Brussels

Banque Bruxelles Lambert, Belgium's third largest bank and now owned by ING of a 15 per cent increase in first-half net profits, despite part from accounting a big increase in write-changes, but also included a big increase in writedowns and provisions linked BFr900m added to provisions in part to the Asian crisis. Not income rose from on top of BFr600m set aside BFr5.86bn to BFr6.76bn in 1997 - as well as write-(\$156m), reflecting a 10.3 per cent rise in total revenues

from BFr17.1bn to BFr51.9bn and only a 3.7 per cent

Gross operating income

Halifax plc

Collared floating rate

notes 2003

the notes will bear interest 28 August 1998 to 26 Februar February 1999 will amount to \$3,789,79 per \$100,000 note. September 1998

WOOLWICH

jumped 20 per cent from per cent last December to BFr18.4bn to BFr22.1bn. But 0.39 per cent, although this

\$40,000,000 Series 47 Floating rate notes

the notes will bear interest at 7.685% per anoum from 28 August 1998 to 30 Novem ber 1998. Interest payable o 30 November 1998 will amount to \$1,979.15 per \$100,000 note. Gloshi Agency and Trust Servic Citibanik, N.A., London September 1998

LANDSBANKI **ISLANDS**

ISK 1,500,000,000 Variable Index Linked Notes Notice is hereby given that

CITIBANG CITIBANCO

LORRAINE INVESTMENTS LUXEMBOURG S.A. Secrete Amonyme

Registered office: 28, Boulevard Joseph II - L-1840 Luxembourg

R.C. Luxembourg B 47, 788

Notice is given of the extraordinary general meeting of shareholders which will be held on September 13, 1998 at 1500 hrs. at Banque de Luxembours. 14 Reulevard Royal, 2444 Lovembourg :

Reduction of the routed capital; Accountion of own shares by the Company Cancellation of own charge. Amendment of article 5 of the articles in association

The Board of Director

LORRAINE INVESTMENTS LUXEMBOURG S.A. Societé Annay ne Registreed office: 28, Boules and Joseph II - L-1840 Livenbourg

R.C. Luxenbourg B 47 798 Notice is given of the annual general meeting of shareholders which will be held in September 18, 1998 at 14 00 hrs. at Banque de Luxembuarg. -in September 18, 1998 at 14 00 14, Books and Reyal, 2449 Lugembourg.

Report of the management and report of the statutory auditor Approval of the annual accounts as per December 31, 1998; Appreciation of profit; Descharge to the directors and the statutory auditor.

The Board of Director

Michel Tilmant, chief executive, said BBL was "interested" in Credit Lyonnais Belgium, a unit of the the loan-loss ratio from 0.29 French bank, that is for sale.

BRADFORD \$15,000,000 Series 17 loating rate notes

1998/2013 (XS 0085020302) Interest Rate 2.25% Interest Perod – June 2, 1998 September 1, 1998 Interest Amount due on September 1, 1998 per

ISK 100,000 ISK 595 ISK 1000,000 ISK 5,350 Period 2 Reference Government Bond field, 4,754°:

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MERCURY -**EUROPEAN** PRIVATISATION TRUST PLC £75,000,000

Floating Rate Notes due 2004 For the three months from 28th August 1998 to 29th November 1998 inclusive, the Notes will corry an interest rate of 7.373% per annum. he auerest amount parable or

> RGENT BANK BARCLAYS

SmithKline Beecham PLC Sterling 617,200,000 Floating Rate Unsecured Loan Stock 1990/2010

7.375 % per ensum tlerest Period: 1st September 1998 1st December 1998 Midland Bank pic

Agent Bank

By William Hall in Zurich because of continuing low ity business and MMK's raw material supply is protected waste paper prices. by long-term contracts.

Mayr-Melnhof Karton, the Austrian group which is Europe's biggest cartonboard maker, is seeking a buyer for its troubled waste

paper recycling business. Profits at the division, the smallest of MMK's three core businesses, last year collapsed from Sch25m (\$2m) to Sch2m, even though volume increased 20 per cent to 974,000 tonnes. In the first six months of 1998 the unit achieved little more than break-even on marginally

lower sales of Sch711m,

lue May 2000

Notice is hereby given that the notes will bear interest

at 7.69% per annum from 28 August 1998 to 30 November 1998. Interest payable on 30 November 1998 will amount to

\$1,980.44 per \$100,000 note.

lobal Agency and Trust Servic htbask, N.A., London

CITIBANCO

MMK said yesterday it was reconsidering the future of the division, which primarily the first half of 1998 rose 33 operates in Germany and employs 600.

Options include total from 9.1 per cent to 10.1 per divestment; the sale of a cent. In cartonboard, MMK's stake to another partner, or higgest division, earnings upgrading the business to before interest and tax rose include the recycling of 36 per cent to Sch472m, other materials, such as synthetic materials and metals

as well as waste paper.

However, Robin Horne, of Dresdner Kleinwort Benson forecast to rise 20 per cent to in London, said a sale made most sense, it is a low qual- current year.

while packaging profits rose 21 per cent to Sch189m. Group net income, which rose 44 per cent in 1997, is more than Sch800m in the

MMK's operating profits in

per cent, to Sch666m and

operating margins increased

Branching out within bounds

Banca Popolare di Verona sticks with its roots, writes Paul Betts

nanca Popolare di Ver-Ona, one of Italy's large Bergamasco in Lombardy, fending off local rival Cassa banks, appears unconcerned by the financial turmoil in Asia. It recently opened a representative office in Hong Kong to support its small and medium sized corporate customers in their export

"Many of our customers do business in the Far East: they sell ceramic tiles, marble and other products to China and other Asian countries," says Giorgio Zanotto, the bank chairman and a for-

mer mayor of Verona. But if the bank is branching out east, Mr Zanotto quickly adds that its strategy remains firmly rooted in the wealthy and fast-growing regions of Veneto, Emilia Romagna and now Lombardy following its recent L1,500bn (\$860m) acquisition from Crédit Lyonnais of Cre-

dito Bergamasco. "The Bank of Italy believes that regional banks such as ours will have a role in the future market of European monetary union, and we want to continue to grow in our regional market," he

The co-operative bank has grown rapidly in the past five years through aggressive acquisitions. In 1993, it launched the first successful hostile bid in Italy - for Banco San Geminiano and San Prospero - to expand in L197bn last year - expected the Emilia Romagna region. to grow to L248hn this year

It later took over Credito di Risparmio di Verona, which is now part of the Unicredito banking group led by Milan's Credito Italiano. Nor is its spree over. In

stock exchange, giving it the flexibility to finance future acquisitions with shares. Although much larger financial groups have grown up around the Verona bank in the current wave of consolidation, Banca Popolare di

June it listed on the Milan

intention of expanding further south than Bologna'

'We have no

Verona believes this trend plays into its hands. It eventually deal with the argues that as banks become larger they risk losing touch with local customers. "We have no intention of

than Bologna and we have

no intention of acquiring

troubled banks," says Mr become a takeover target? With nearly 550 branches in some of the richest parts of the country, net profits of

and total assets of more than L40,000bn, the bank would be an appetising morsel for one of the big new groups being formed in Italy.

As a regional co-operative,

the bank is protected by its

statutory rules making a hostile takeover complex and expensive. Under these rules, shareholder votes are counted on a per-capita basis rather than a per-share basis. It would require 48,000 shareholders - even if some hold

only a single share - to

Unlike at other co-opera-

tive banks, employees have

approve a takeover.

no voting rights. And no shareholder can hold more than 0.5 per cent. Recent government attempts to change the statutory rules of these co-operative institutions failed because of powerful lobbying by managements. However,

the government says it will

issue by proposing specific

regulations for co-operative banks. When that day comes, i expanding further south could spark a new wave of corporate deals in Italian banking, As Credit Suisse First Boston points out in a recent study: "These banks So why has it not itself are the perfect acquisition target for large Italian banks, thanks to their high regional market share. strong focus on retail bank ing and efficient cost struc-

NOTICES

Following an evaluation of the potential contribution of PPPs to meeting public inflatious time needs in Irritand, the Government has decided that a number of pilot projects should be developed. The Dublin light ail has been identified at a possible pilot

no the Department of Public Enterprise in preparation for a PPP approach to the Dublin light sail project. The consultanes are exposed to complete their work and substit a report within six weeks from the date of appointment.

Ms. Bridget Gullbyle, Public Transport (Dublic and EU) Division

Telephoue: +353 1 6041633 Pacalaille: +353 ! 6041657 Email: guilloyb@toc.k/gov.le

BUSINESSES

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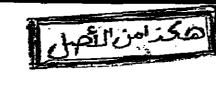
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ricsson pulls out of lurma after US boycott

Company Die Bernethels beiter bereitet ein alle bei beiter Supplement of the spill spirits for letter . Here in the letter is the spirit of the s must be well by US achieved transfer to a comment of the Print Bowletty styletic management the Rate Library Laborator in the Labor Services to Service by London, 1981, 1997, the state for the Marige and Consulations ERCESON SAID VENTAGEN & STREET, S. Francisco de 教院(MAN)で MAN (1995年 1 The pain is well have been the constitution of THE MERIT THREE REPORTS THE THE REAL PROPERTY. the state of the s the streets the decision to beginn the form of minipersal grounds and was not a more state of

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Harm Friday (Sec.)

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COMPANIES & FINANCE: UK

Applied Power offers £207m for Rubicon

group, has made a £207m cal equipment which it fits (\$342m) recommended cash into boxes and casings that offer for Rubicon, which pro- it has made to the customduces and assembles com- er's specifications. It also puter boxes

Applied said the deal, underpinned by a \$350m loan facility with Bank of Amer- Rubicon ordinary share, a 47 ica, would make it the lead per cent premium over Fri-

Antibodies

pharmaceuticals business.

chairman of Therapeutic

Antibodies, a biotechnology

company which uses sheep

to manufacture rattlesnake

Mr Wallis, 52, who has a

formidable reputation as a

company doctor, has the job

of restoring the health of the

casb-strapped business.

based in Nashville, Tennes-

The company announced

yesterday that seven direc-

tors had resigned "amicably"

in a bid to simplify the board

structure and make it more

attractive to UK investors.

They included Professor

company's founders and its

research and development.

who was paid £120,000

Five of the seven were

non-executives paid in share

options. Mr Wallis said they

were members of Nashville's

business by Martin Brown,

By Haig Simonian in Hanover

Volvo yesterday underlined

hus group battling with May-

flower for control of Dennis,

make their third big invest-

ment in North America.

4,000 vehicles a year.

LEGAL

NOTICES_

g 45 (209 St.

ENTROPY NOTES

encouraged to invest in the as a whole.

Jack Daniels, the Tennessee- changes.

Volvo and

. Henlys plan

Mexican buy

(\$198,000) last year.

Stuart Wallis, the former facing Mr Wallis and

chief executive of Fisons, the Andrew Heath, appointed

was yesterday appointed that the lossmaking business

which is London-listed but ter in the UK. However, he

John Landon, one of the raise £20m, which it said will

executive director for even. Analysts believe this

country club, and had been pany and the biotech sector

Brown was formerly head of welcomed the board

board.

will be in 2001.

sites in Scotland, two in Applied Power, the England, one in Ireland and acquisitive US engineering two in the US, is sent techni-

makes specialised magnets. Applied is offering 235p in cash or loan notes for every However, Applied plans not

based whisky company.

The immediate problem

chief executive in May, is

will run out of money next

month. Therapeutic Anti-

bodies, which reports results

in dollars, had just \$3.27m in cash at the end of June, but

spent \$20m in 1997. The com-

pany subsequently raised

\$3.15m in interim funding

Mr Wallis hopes to do bet-

believes that to appeal to the

City the company needs to

move its headquarters to the

UK, where an as-yet-to-be-ap-

pointed finance director will

be based, and have a

smaller, more professional

support it until it breaks

Shares in Therapeutic

Antibodies have tumbled

from £5.25 at flotation two

years ago to less than £1

recently, reflecting a loss of

confidence both in the com-

The shares rose, 2%n to

The company hopes to

from US private investors.

to pay the 4.9p final dividend equipment for computers. proposed by Rubicon's board. Rubicon shares rose 65p to 225p. •

business this summer for £115.5m for Vero, the electronic racks and enclosures group, after a long battle with Pentair, its US rival. It

Applied Power made a pretax profit of \$122m on sales of \$1.416bp in the year to This is the second foray August. Richard Sim chairinto the UK engineering man, said the deal would further his company's global Milwaukee-based Applied ambitions and would mean Power. In June it paid growth for Rubicon's operations. "Rubicon fits in

well with our customers, many of whom have relocated to Scotland or Ireland.

Mr Sim said he could not rule out further European chief executive, who will acquisitions, in the long continue to manage the comterm, to get close to Applied Power's telecommunications with Applied Power, said customers. He ruled out a that the jobs of its 2,800 challenge for Rubicon from

Pentair. was lower than expected. because of market turbulence. "The only question

Tim Wightman, Rubicon pany and take a greater role workers would be protected.

In March, Rubicon sold Greg Johnson, analyst at two of its divisions for 262m Charterhouse, said that the to a management buy-out. Rubicon price was fair, but The disposal contributed to pre-tax losses of £18.8m for the year to May 31.

Applied was advised by Goldman Sachs and Rubicon by HSBC Investment Bank.

pany can wait for a generous Southern Electric/ Scottish-American to charge over Hydro Hectric Share prices relative to FTSE All-Share index with a bid premium. Failing that, yesterday's merger provides a decent way forward Scottists Hedro for both Southern Electric

COMMENT

Electricity merger

and Scottish Hydro-Electric, especially for Southern. which winds up in control in line with its larger market 120 capitalisation. The deal was billed as a no-premium merger, but Southern's shares were probably buoyed by some bid speculation. The main justification for the deal is that it removes the Same Dates risk of volatility in electricity

There is only so long a com-

prices for both generator and supplier. Arguably, avoiding that risk is more important to electricity suppliers, such as Southern, which have slimmer margins to protect, Long-term supply contracts can achieve this as well, but are more expensive. The savings from removing risk are not huge, and alone would not have justified a chunky takeover premium, but here they are a plus.

Meanwhile, Hydro gets a route to market for its power. With competition in the supply of electricity, this will no longer be a captive market. But there may be just enough inertia to prevent customers from defecting to marginally cheaper electricity providers. Both companies will also share some cost savings, which look less vulnerable to regulatory scrutiny than ones from a merger of two regional electricity companies. And if there are any suitors still out there for a rec, this deal should flush them out.

Technology and telecoms

The punchier the ratings, the heavier the falls when investors get jittery. The larger high technology stocks have fallen around 30 per cent or more from their highs. In telecommunications, the rout has mainly hit new arrivals such as Colt, Energis and Orange. The numbers may look scary, but not all of this year's gains in the sectors have

And despite the sell-off, the ratings are still not cheap. Next year's p/e ratios for high-tech stocks range from 25 to 50, which still implies challenging earnings assumptions. The question for investors is how vulnerable these earnings are to recession. Spending on telecoms and technology may be less discretionary than last time round, but it has not become immune from the economic cycle. The bad news is

ing global provider of tai- day's closing price, and 50p has also recently bought We are always looking for lor-made cabinets for for each preference share. Zero, a US company which acquisitions close to our cusnow is whether Pentair will launch a bid as well." Wallis to head | CRH plans large acquisitions

now reaping the fruits of

CRH has grown into one of

the world's biggest building materials businesses

through a programme of

small, bolt-on acquisitions

which, combined with capi-

tal investment, absorb

LE100m-LE300m a year. The

total in the six months to

June 30 was I£117m, with a

similar level of expenditure

Mr Godson said: "Every

Therapeutic

CRH, the Irish building this." materials group, is planning to exploit falling asset prices in the UK and Continental Europe by making substantial acquisitions. Don Godson, chief executive, said it could spend up to 1£500m

He said the balance sheet of the group was "under-leveraged", with gearing of 39 per cent: "I suspect it expected in the second half. should be 60 to 70 per cent at current interest rates."

pre-tax profits to 1£85.2m. well ahead of analysts' forecasts of 1£75m-I£78m. The improvement was driven by strong demand for building products in the US, fuelled by mild weather in CRH's north-eastern stronghold, agreed to sell to Wolseley Trading profits in the Americas more than doubled to £29.8m.

Howard Seymour, a building materials analyst at ABN Amro, the broker, said:

now and again, we augment The group yesterday that [programme] with unveiled a 31 per cent rise in acquisitions that offer greater strategic fit . . . that would be the unside of the current shenanigans in the marketplace." He said CRH had underbid for Hall & Co, the builders

merchant which RMC Group

last month for £121m.

CRH is keen to expand the activities of Keyline, its own UK builders merchant. Analysts see this as a poor performer, but Mr Godson said: in continental Europe, where



what we want." The smallest increase was cent up at I£1.81bn. Interest

are coming into line with per cent higher.

Group turnover was 27 per payments were covered 6.17 "They have been expanding "Performance and net assets trading profits were only 8 times by operating profits.

Barclays bites the Russian bullet with losses of \$540m

Chief executive unfazed by exposure to economic collapse and says it is 'all part of the risk business', writes Clay Harris

or a man who had just money. We get most of it thing either man needed. - announced charges and back." losses totalling £325m the previous chairman. Mr 77½p yesterday. Analysts

> remarkably relaxed yester- exposure. in the context of its roughly £20bn of assets, he said this what banking was all about. "We're in the risk business.

Nevertheless, it was a sen- been "hugely encouraged" (\$540m) before tax, as a sitive moment - "maddening by progress at Barclays Capicated to other and collection of the collapse of lateral damage in other mar
(\$540m) before tax, as a sitive moment - "maddening by progress at Barclays Capicated to other markets.

by progress at Barclays Capicated to other international banks which had made earlier and muddler was confident of its hedging statements.

contrast to other international banks which had made earlier and muddler was confident of its hedging statements.

day of the difference of the diff kets, Barclays chief execu- tal, the subsidiary responsitive Martin Taylor was ble for most of the Russian

Coming up to the first be in." After putting Barclays' net anniversary of Barclays' Russian exposure of £340m somewhat messy retreat from full-fledged investment banking that left Barclays Capital as a stand-alone debt markets operation, such an We take positions. We lend embarrassment was the last

But Mr Taylor, who had should change my view or the board's view about what

business the bank ought to

Mr Diamond said "any prudent business person? would be reviewing business plans now, although he gave no reason to expect immediate drastic changes. "I think we can learn

He said he had told execu-

tives last week: "I don't want to see a provision that isn't a multiple of £50m." Any more detailed figure would be spuriously precise, he said. The pre-tax charge of £250m would hit net profits by

Barclays' Russian exposure is made up of four ele-

event, which would stop treasury bills (GKOs), finan-limit" for exposure to Russhort of never, ever doing cial counterparties, bank sia. this again," Mr Taylor said. lines and commercial cred-He made a virtue yesterday its. It had written all down net exposure to Russia was of showing his maths - in to 10 per cent of their dollar not out of line with that in

> counterparties, but it would land - had fallen from be "imprudent to count on" hedging with Russian institutions. "If the Russian £300m, at June 30. hedges had held, we would . National Westminster have had substantial protec- Bank said it was "comforttion," he said. "The problem here wasn't

Taylor said. In fact. Barclays tiny".

interesting lessons from this ments - in descending order: had not reached its "country At £340m, the size of its

£900m, or an average of

able" with exposure to Rusthe size of the exposure, but less than £100m. Lloyds TSB the event of the default," Mr said its exposure was "very

Bunzl overcomes falling prices man, said the group had not been hit by falling prices £62.8m (£62.4m).

its on translation.

Bunzl, the paper and packaging distribution group, weathered the effects of price deflation and sterling's strength to lift interim operating profits 6 per cent to £67.4m (\$111.2m).

Björn Larsson, head of the Swedish group's bus division, said the two were in advanced talks to buy should be completed by the MASA, the biggest coachbuilder in Mexico. Privately owned MASA has more than 50 per cent of the country's coach market, which exceeds

Mr Larsson dismissed speculation that Volvo's cision to buy 10 per cent of tion is the main reason Henlys could trigger an behind Volvo's support for investigation by the Office of Henlys in its bid for Dennis. Fair Trading on competition grounds. "We have taken the best advice you can get in their North American bus that regard", he said. Volvo range by adding adapted ver-yesterday said it had lifted sions of its existing British its stake in Henlys to about mid-sized buses to their bigger, heavier vehicles.

9.2 per cent. Speaking at the Hanover truck show, Mr Larsson for mid-sized buses weighing reminded Mayflower it less than 12 tonnes is expecwould would have to con- ted to flourish, and Volvo tinue working with Volvo, currently had no suitable whatever the outcome of the products, said Mr Larsson.

takeover battle. "We should all remember there is light after the fight, and you the importance of its rela- should not sling too much tionship with Henlys, the UK mud."

He noted that customers buying Volvo bus chassis by revealing that the two most commonly used May-companies were poised to flower's Walter Alexander subsidiary to build bodies for their vehicles.

> Mr Larsson declined to reveal a price for the Mexican acquisition, but said it end of this year. Volvo and Henlys would aim to develop MASA's exports to the US. MASA's foreign sales are currently concentrated on neighbouring countries in

central America. North American co-opera-Buying Dennis would allow Volvo and Henlys to expand

North American demand

because the rate at which it turned over stock - once a month - was among the highest in the packaging distribution industry.

profits from the sale of discontinued businesses, oper-Falling prices for paper and plastic packaging, ating profits grew 16 per driven by a decline in raw cent to £66.9m on sales 12 material prices, left Bunzl per cent higher at £953.5m. At constant exchange rates, reliant on volume growth to increase profits, while the operating profits were up 20 strong pound squeezed prof-After interest of £4.6m Anthony Habgood, chair-

(£1.4m) pre-tax profits were

Excluding exceptional home replacement meals -

achieved volume growth of 6.5 per cent in the first half. The business, which distributes paper and plastic packaging to supermarkets and caterers, was helped in the US by strong demand for

takeaway meals served in supermarkets. It made profits of £37.2m (£33.5m) on sales of £578.8m (£501.4m). The tapes and filters divi-sion, which produces filters

Bunzl's disposables busi- tobacco industry, increased ness, which accounts for 60 profits from £10.7m to £14.7m per cent of group sales, on sales of £104.3m (£83.7m), helped by acquisitions.

Bunzl spent £34m on acquisitions in the period, partly offset by £15m of disposals. Mr Habgood said the group would continue to look for add-on purchases. Gearing fell to 46.6 per cent against a year-end position of 53.2 per cent.

Bunzl declared an interim dividend of 2.5p (2.3p), which is to be paid as a foreign

will be paid for the rest in

2001. Singer said the change

Goodwill over Collins

Stewart's net asset value of

£8.2m at June 30 would be written off over 20 years.

of profits of £6.2m.

First Leisure sells Blackpool Tower

By Scheherazada Paneshkhu

Blackpool Tower, the British seaside landmark, was one sold yesterday by First Leisure, the nightclubs, fitness and bowling group, for £74m (\$122m) cash.

The buyer is Leisure Parcs, a company formed by Trevor Hemmings, the former head of Pontin's holiday camps, who has been linked to a possible takeover bid for Vymura, the wallpaper

First Leisure, criticised last year for lack of focus after a period of under-

division up for sale in April after selling its bingo operations, Michael Grade. executive chairman, said the £112m raised from the two debt and allow the group to concentrate on its three core Also included in the sale

were piers at Eastbourne, Blackpool and Southsea and the Winter Gardens conference centre in Blackpool. The businesses, with a book value of £77.3m, made operating profits of £6.2m on sales of £30.9m in the year to October 31. The shares closed 16%p lower at 233%p.

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cent per armum.
The coupon amounts due for this period are FRF 80.50 per denomination of FRF 10.000 and

FRF 805.00 per denomination of FRF 100,000 and are payable on the interest payment date

December 4, 1998.

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The Fiscal Ages BNP durambour

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NOTIFICATION OF LEGAL ENTITY NAME CHANGES

Effective 1st September 1998 the names of the following NatWest Capital Markets Limited thanged to Greenwich NatWest Limited

Collins Stewart, Singer's result made worse by the UK institutional agency brostrength of sterling. ker's equity. It has paid Singer & Friedlander, the ker, increased interim oper-Asset management activi-£30m for two-thirds of the ties also suffered a fall in holding; £15m plus interest investment banking and ating profits to £7.3m,

RESULTS

£3.45m (£2.81m), and in merker of which Singer owns 55

chant banking, to £5.72m decline in the retail division (25.34m). But Carnegie, the Stockholm-based stockbro-

profits to £4.8m (£5.34m). Improvement at Singer & Friedlander Investment Management was offset by a and losses in the capital

18 anticipating the new FRS10 cu- accounting standard.

5	Singer is buying out sh
8	options which entitled
a ·	senior Collins Stewart exe

				95-5-1
P :	S (p.)	Current payment (p)	Date of payment	Divident Correspond dividend
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Mayflower raises stake in Dennis

By John Griffiths

group, has bought a further 3.4 per cent of Dennis, the bus and specialist vehicle builder for which it is seeking to outbid arch-rival Henlys. It now holds 4.9 per cent. under the fall-out of the 9p. Asian and Russian financial crises, the 11%p drop in Henlys' share price yesterday to 457p reduced the notional

value of its offer for Dennis to £266m (\$439m). This is still 4.4 per cent higher than Mayflower's 450p per share all-cash offer. valuing Dennis at £255m, but well below the \$309m valuation on the basis of Henlys' 565p share price at the time

shares fell 6'Ap vesterday Mayflower, the engineering 159%p, gave no indication that it would consider rai ing its offer. Mayflower's purchase

further shares in Dennis -450p a share - compar with a closing price for De With share prices reeling nis yesterday of 456p, dow Mayflower last night sa

> Mayflower, meanwhil yesterday paid £10.4m car

Mayflower, whose ov

that the fall showed instit tions were "balling out" Henlys' recommend shares-plus-cash bid.

purchase of the automotiv stamping, tooling an exhaust system manufactu ing businesses of Roth Tec nik Abgastechnologie, southern Germany-based | Horago income of engineering group.

Singer may buy back 20m shares tives to about half of the bro

£29.1m to £81.5m (\$52.1m), in the six months to June 30. The group also said it would seek shareholders' approval to buy back up to 20m

fund management group, against £4m, and a full-year increased pre-tax profits by result of £8.7m. Profits were nearly 9 per cent, from also up in property, to shares, 10 per cent of the per cent, saw interim profits slip to £15.1m (£17.7m), a

NatWest Gilts Limited langed to reenwich NatWest Gilts Limiter NW Gilts Nominees Limited changed to Greenwich NatWest Gifts No All customers of Greenwich NatWest need take no ac with respect to these changes. These changes do not affect National Westminster Bank Plc. GREENWICH NATWEST

MANAGEMENT & TECHNOLOGY



MANAGEMENT OFFBEAT EDUCATIONAL IDEAS

Horses for training courses

Jane Martinson tries out the art of 'whispering' to four-legged friends to see if it has lessons for the corporate world

Whatever happens," said a colleague as I weekend, "don't try to snort up my nose when you get

Within a few hours of embarking on my two-day course to learn the art of "horse whispering". I had learned two basic facts. One was that it had nothing to do with talking, or indeed whispering, to horses. The second was that Monty Roberts, one of the men credited with courses danced the flamenco starting the latest he-nice-to- to make a horse move. Only horses craze, believes you should snort up a horse's the former popster was nose only if you want your

Stripped of my preconceptions I was left standing in a 50ft round pen with an 18month-old horse called

The point of the course is to "join up" with a horse, a phrase redolent of the California ranch from which it came. Roughly translated, it meant that I had to make Bonus, an ungainly black and white shire, run in circles and then follow me around, led only by a desire

He had to be so keen to do my bidding that he would let me saddle him up and put a would achieve all this using

guage and a long, soft rope. Instead of the prancing black stallion I had envisaged, Bonus was almost immobile. All he wanted to do was gaze at his friends

cavorting in a nearby field.

In front of my 10 fellow students I was moved to use so much body language to attract his attention that Kelly Marks, the trainer and Monty Roberts acolyte, compared me to a former pop star who on one of the much later did I learn that called Arthur and it was not

finally got the attention of Bonus by snapping my fingers and then adopting the quiet but determined walk I had been taught. Bonus was so surprised that he put his head on my shoulder and needed no further instruction to follow me anywhere. By the time a rider was on his back, Bonus had become Black (and White)

Beauty and I was hooked. But what did any of this have to do with management to do what I wanted. theory? I wanted to find out why the experience was about to be offered as the first hands-on "horse whisrider on his back. And I pering" management course in the world, which has a combination of body lan- already attracted the inter-

est of companies including PriceWaterhouseCoopers, the accountancy firm.

I had arrived on the course in Oxfordshire ready to believe the answer was very little, having listened to the homespun psychobabble of Mr Roberts's training video. The film's commentary talks of US companies as diverse as Merrill Lynch, Ford and

Letting my eyes wander for a nanosecond had the horse turning

against me

AT&T watching the man and his horse at work in order to better understand the human mind". It also asks what horses would say if they could talk to humans about their behaviour. It suggests a warning along the lines of "you humans

eye", Such anthropomorphic advice leaves me cold, as did the get-back-to-nature message of Robert Redford's new film The Horse Whisperer. which has prompted some

don't look each other in the

training methods it used. "I'm not scared of horses. But by the time I took my second horse into the ring a big, nervous three-year-old

called Princess - I had realised that all I needed was to focus on the task and letnothing distract me or the horse. Letting my eyes wander for a nanosecond had the horse quivering and turning against me. while sending mixed signals was worse. I

shouting got me nowhere. Roy Scott, a fellow student and business solutions manager with BT, the telecommunications group, said: "This is not exactly rocket science, but it's amazing who began drawing comparihow quickly you forget the

His experience on the course taught him that "people get so wrapped up in the process that they forget how to communicate". Worrying about the rope had the horse dozing off.

There were only a handful of stereotypical "horsey types" on the course. Susan (not her real name) was a stressed-out corporate lawyer from New York who had not been near a horse for 20 vears before she decided to spend a weekend recapturing an old pleasure.

By Sunday afternoon she said she felt "humbled" by her experience. A difficult first attempt had left her in tears and ready to give up. "I controversy about the felt so intimidated," she said.

but I am terrified of not knowing how to do some-

thing in front of people. "Look, I'm not even used to listening to people. I normally boss them around and tell them what to do. I really did not know how to do this and I'm not used to that."

Susan thought the course would be great for management training. "This course had also learned that is for remedial people, not bad horses," she said.

Kelly Marks, who started the courses two years ago for "horsey types", was surprised when they attracted such a wide range of people sons with the workplace.

One such student was Nick Jacobs, who is working porate sector, to be launched this year. Mr Jacobs, managing director of Rowan Asset Management, said he had been attracted to the ideas of Monty Roberts after watch-

ing a television programme. He described joining up as "being all about sending clear messages, interpreting the feedback and then closing the deal. It's that simple". It was also great fun and did not involve getting anywhere near nostrils.

Intelligent Horsemanship, Kelly Marks, 01488 71300. Tickets to Monty Roberts's UK demonstrations in September, 01638 311200.



Would I rather be Henry VIII?

It's a stupid question - almost as silly as the way we measure inflation and economic growth

If you are reading this, Linda, I hope you still remember the evening we spent together in Oxford in the summer of 1972. We dined at the Elizabeth restaurant. We enjoyed the piperade, the supreme de volatile, and the creme brûlêe, and much else.

I had exactly the same meal there a few weeks ago. I have changed and so, I expect, have you. But the Elizabeth has not. The decor is just as it was, the service is still classically impeccable and the piperade, the volaille and the crème brûlée are still on the menu. The coffee is brewed by the same vacuum process that brewed it in 1972.

But the price is very different. I don't have the bill for our dinner, but an old Good Food Guide tells me that I could have bought that meal in 1968 for 31 shillings (or £1.55 (\$2.55) as it became on decimalisation). This year, it cost me £23.

In 1972, neither Linda nor had eaten a hamburger. McDonald's arrived in the UK in 1974 and a Big Mac then cost 45p. Today you wil pay £1.84, an annual inflation rate of 6 per cent. These comparisons are freaks. The curious time

warp that envelopes the Elizabeth, and the relentless standardisation of McDonald's, enable us to look at these price changes with confidence that we are comparing like with like. Most of the modern economy is not like that.

If you had gone to Australia in 1960, you would probably have gone by sea. A shared cabin on P&O would have cost you £132. Today Qantas will fly you to Sydney for £791, a price rise of 5 per cent per annum. But what you get is a very different product. I am willing to bet that faced with the choice of a six week journey by sea for £132 or a 24-hour flight at £791, most people would choose Qantas. The improvement in quality more than offsets the increase in cost. When we recognise this, we see the price of getting to Australia

has not gone up. It has come A brilliant essay by the American economist Bill Nordhaus provides a good illustration of the issues. The price indices we see reported measure changes in the price of light bulbs and of electricity. But we don't

buy light bulbs because we want light bulbs. We buy light bulbs because we want light. Nordhaus showed that if you measure the price of light, rather than the price of the things you use to make light, the difference is significant. The price of lighting things has moved in line with general inflation: the price of light itself has

Health budgets around the world are under pressure from the escalating cost of medical services. But are these costs really rising? Evelyn de Rothschild, probably then the richest man in the world, died prematurely in 1836 despite the best medical attention. money could buy. He died from an infection which could today be cured by drugs available for a few pence at any pharmacy. The cost of medicaments may have gone up, but the cost literally - of living has come

But these arguments do

Henry suffered agonies from piles and could not get to Bristol in less than a week

not all go one way. When I bought Linda dinner in 1972, I was not really purchasing supreme de volaille. I was buying her the best dinner Oxford could offer. To do that today. I would have to take her to the Manoir aux Quat'Saisons, and pay the £72 that M. Blanc demands for a meal. That is equivalent to inflation of 16 per cent per cent per annum. Fine dinners are a positional good - their value rests on the fact that not everyone can afford them, and their price rises with the incomes

of the people who can. These problems are not minor quibbles. The developments I describe the creation of new, higher quality restaurants, the substitution of new forms of transport for old, advances in medical technology, and improvements in lighting efficiency - are typical of what has happened right across the economy. And that is why the price indices we use are hedged by doubts.

As it happens, the cost of a meal at the Elizabeth, rising at 11 per cent a year, almost exactly matches the movement in the catering component of the UK's Retail Prices Index. But I could reduce catering inflation to 6 per cent by looking at the price of a Big Mac or increase it to 16 per cent by measuring the change in the cost of a very good evening out. You could present a good argument for adopting any of these

pitered bourses rel

And if we are so uncertain about what has really happened to prices, we are therefore uncertain about what has really happened to output and economic growth. How do we compare a bundle of output that consists of sea crossings slide rules and Ealing Cornedies with one made up of package holidays. computers and televisions? Only by making a decision as to how many Ealing Comedies equal one television.

I don't know how to do that and nor does the Office for National Statistics.

It is tempting to argue that we could solve these problems if we were more careful in the way we compile economic statistics There is not much doubt that if we paid more attention to quality improvements and the consequences of the introduction of new goods the reported rate of inflation would be lower - probably much lower - and the reported rate of growth would be higher – probably much higher.

But the issue goes deeper. Am I better or worse off than Henry VIII? True, I have fewer wives, servants and palaces, but Henry suffered agonies from piles and could not get to Bristol in less than a week.

Asking whether I would as stupid as asking whether I would be happier if I were a sheep or a fly, and the question is not made less stupid by dressing it up in figures.

When someone tells you that inflation is 3.7 per cent and growth 2.1 per cent, be very wary of believing that these numbers tell you what has happened either to the cost or the standard of living.

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The author is the Peter Moores Director of the Soid Business School at Oxford University and a director of London Economics. This column appears formightly.

CONTRACTS & TENDERS

INFORMATION AND DOCUMENT MANAGEMENT SYSTEM

EXPRESSION OF INTEREST(EOI)

The World Intellectual Property Organization (WIPO) is an intergovernmental organization with headquarters in Geneva, Switzerland. It is one of the 16 Specialised Agencies of the United Nations System of Organizations. WIPO is responsible for the promotion of the protection of intellectual property throughout the world, including the administration of the Patent Cooperation Treaty (PCT) System. The PCT regulates the filing and processing of international applications for the protection of inventions where such protection is sought in several countries. Since the beginning of its operation in 1978, the office of the PCT has received, processed and published more than 350,000 international patent applications, of which over 54,000 were filed in 1997.

During the 4th quarter of 1998, WIPO will issue a Request For Proposal (RFP) for a major Automation Support System for the office of the PCT to pre-qualified Systems Integrators. This new system will enable the migration from a paper-based environment to an electronic environment for the filing, processing and publishing of international applications under the PCT. The objective is to implement the system within a 3-year period, while maintaining daily operations.

Due to the broad scope of the project, the volumes involved and the technical complexity of the environment, WIPO intends to select a Systems Integrator who has demonstratable capability to assume overall responsibility for implementing this important system. For the first step of the selection process WIPO has prepared an EOI (Expression of Interest) package that provides a brief description of the project, the pre-qualification criteria for potential partners, and response requirements. Responses to the EOI will allow WIPO to pre-qualify potential Systems Integrators.

The EOI package is available from the WIPO Web site at the following address:

http://www.wipo.int/eng/pct/projects/eoi/index.htm

Expressions of interest concerning the PCT Automation Support System project should be received by WIPO not later than September 30th, 1998.

Pioneer seizes lead in big race for thin screen

In the competition to deliver the biggest, thinnest, highest definition television screen, plasma technology has the edge and Japanese electronics groups are eading the way.

a range of VGA plasma screens up to 40in, is to launch a 50in model - the PDP-501MX - which it claims will be the world's largest and highest definition olasma screen.

The screen is the first of its size to feature an XGA panel with 1,280 horizontal by 768 vertical pixels. Pioneer claims it is 2.5 times sharper than any other VGA plasma screen on the

It is only 9.8cm deep with 160° viewing angle which, its manufacturer says, is ideal for boardrooms and presentation suites. www.pioneer.co.ip

Net telephony: the latest fax

As the use of the internet for voice telephony continues to grow, electronics manufacturers are looking for other ways to exploit it. Sending fax messages is one which manufacturers have begun to address, with

features such as

fax-on-demand and a eature that allows callers to retrieve product information or price lists

This month Ricoh launches a plain paper machine – Fax 4800L which has features including fax-on-demand, an 80Mb hard disk for data storage and data handling capabilities for increased productivity and reduced

The machine, which can be hooked up to a digital ISDN line to increase delivery speeds, also has the option of a second fax line to allow simultaneous sending and receiving. It costs £2,499. www.ricoh-europe.com

Alcatel offers alarm service

When something goes wrong or help is required. wireless telecommunications

Alcatel, the French telecommunication group. has launched the 4400 Notification Server, a security management device communication system. which can automatically transmit alarms and messages to Alcatel's 4070

digital cordless (DECT)

often provide the quickest

way to alert people.

INFORMATION TECHNOLOGY BRIEFS

The system is already in use in Stedelijk Ziekenhuis, the city hospital in Roeselare, Belgium, where is configured to call the mobile handsets of medical staff when patients request service from their beds, or when monitors detect changes.

The notification server, which is expected to have many applications including enterprise security management and equipment maintenance, can be configured to ring one or



Screen test: Mr Kawahata with the high

more DECT handsets in the case of an alarm. Users are notified of the nature. urgency and origin of the www.alcatel.com

System on a chip in sight

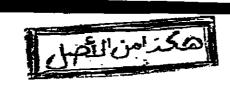
Chip designers continue to integrate more and more functionality into their creations, leading to the point at which entire systems can be mounted on a single semiconductor device: the "system on a chip". At the same time. shortening product lifecyles mean these increasingly complex LSI (large scale integrated) circuits must be designed ever more quickly. Designing a LSI chip is a

three-stage process beginning with "behavioural" design, then logic design and finally layout design. In order to speed the process, software has been used to automate layout design and logic synthesis.

NEC, the Japanese

electronics group, claims to have developed software that can automate the first step - behavioural design. NEC researchers claim their behavioural synthesis. system enables users to design chips automatically from the "C" language descriptions designed to operate the circuit. www.nec.com

Paul Taylor



Battered bourses refuse to crumble

EUROPEAN OVERVIEW By Philip Coggan,

Europe's stock markets took ter, falling 3.9 points or 0.4 an inevitable battering at per cent to 890.72. the opening after Wall Street's big loss on Monday, tor of the day was oil explobut then proved reasonably ration, which dropped 5.5 per resilient in the face of a very

volatile US market. 300 indices, which include a significant weighting of UK to be volatile in the light of stocks, had a poor day as the London market caught up which outlined its Russian with Monday's losses in the rest of the region. The 100 index fell 35.15 or 1.4 per cent to 2,477.18 and the 300 seen the biggest sell-offs dropped 13.5 to 1.075.49.

The FTSE Ebloc 100, restructuring, managed levels of the past decade." which focuses on countries some modest rebounds. says Mr Howdle. planning to join the single currency and thus excludes UK stocks, held up far bet-

The worst performing seccent, with Enterprise Oil falling Ecu 0.4 to Ecu 5.24 The FTSE Eurotop 100 and ahead of results tomorrow. Financial stocks continued

the Russian crisis. Barclays, fallen, US and core European losses yesterday, dropped bond yields have hit new Ecu 1.3 to Ecu 19.9 but the German banks, which have of European equities against since the Russian debt bonds to the most extreme present."

Deutsche was up Ecu 2.4 to

Ecu 57.52. is prompting some analysts a constant risk premium of 8 to hope that the end may be per cent, the market is now in sight.

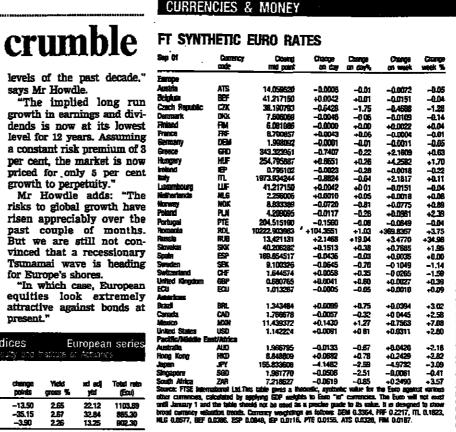
portfolio strategist at Saloout that Europe has already experienced its largest correction since 1990. While equity prices have vinced that a recessionary

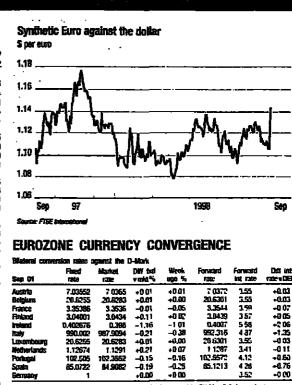
"The implied long run growth in earnings and divi-The sheer scale of the dends is now at its lowest decline in European markets level for 12 years. Assuming

EURO PRICES

in sight. priced for only 5 per cent Mark Howdle, European growth to perpetuity." Mr Howdle adds: "The mon Smith Barney, points risks to global growth have risen appreciably over the past couple of months. But we are still not con-

post-war lows. This has "In which case, European taken the relative valuation equities look extremely attractive against bonds at





EUROZONE CORPORATE BONDS

04/08 5.250 05/08 5.000 06/08 5.375

95.865 96.285

+0 +0.030 96.300 96.250 +0.080 96.445 96.418 +0.085 96.400 96.380 0 8078 5383 1954 --- CALLS ---Dec · Sep Oct 0.290 0.300 0.315 0.140 0.260 0.015
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GOVERNMENT BOND SPREADS VS ECU

Bond yield curve

Sum Jeanes 102,660 106,360 104 050 103,270 4.20 4.29 4.71 4.81 4.875 07/01 03/04 64/04 84/07 102.305 117.507 105.760 110.609 4.12 4.70 4.08 4.84 +8.01 +0.04 +8.04 +8.04 -0.27 -0.38 -0.33 -0.25 5.000 8.375 5.250 6.375 AA-A AAA -AA Source: Interactive Deta/FT information. London cholleg. Fungible bunds estued to transities by Emu "in severeigns and fungible into one big. Euro assus 17/58; Euro issues are leased in the new currency; Eu-bonds are leased in Ecus but consent to Euroa 1/1/69. EUROZONE CREDIT SPREADS VS ECU

4.53 4.39 4.77 4.67

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01/09 11/06 07/07 01/08 02/02 02/03 03/04 03/04 07/99 05/01 11/02 04/08 5.000 6.250 5.625 5.500 6.750 7.250 6.375 6.250 7.125 9.000 5.625 8.125 France Telecore
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ABN·AMRO

"What approach will the European Central Bank take to managing interest rates?"

the euro

You'll get more insights from ABN AMRO.

Jollar rebound ______

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Prices fall as investors take profits

GOVERNMENT BONDS By Jeremy Grant in London

and John Labate in New York European prices ended sharply lower yesterday after an early firm start was punctured by signs of a mild if temporary - recovery on tals were still in place for stock markets and as traders bonds.

reported some profit-taking. Bond prices, as well as those of bond futures contracts, have been at their highest levels for years as the emerging market turmoil at NatWest. of recent weeks has threat-

ened to turn jittery bulls sold heavily in early trading into confirmed bears. Analysts suggest that tiously to US equities and on prices may have peaked, news of a rise in the pointing out that bond yields cannot fall much further without prompting a cut in for August.

key interest rates in the US. There were signs vesterday that some longer-term investors were switching out of bonds and buying cheap

"I think that bonds are US-30-year Treasury bonds looking pricey. People may be looking to take profits on bonds in order to minimise losses in equities," said Julian Jessop, chief European economist at Nikko. However, most analysts agreed that the fundamen-

This is just a relief rally in stocks and not a sign that we're on dry land again," said Kit Juckes, head of bond and currency strategy US TREASURIES were

as investors returned cau-National Association of Purchasing Management index By early afternoon the

5.056 per cent, and the twoyear note was 🛔 lower at 100₺, yielding 4.875 per cent. "The dollar is selling off 30-year bond, the benchmark is unwinding the safe-haven for long-term interest rates, bid [in Treasuries]," said was down 1¼ to 102븶, pushing the yield up to 5.338 per Richard Gilhooly, at Paribas

1997.

UK naknus German 10-year bond

Although international events and the level of stock trading were the main fac-

choppy trading, with prices tracking those in equity markets. The December 10year gilt future settled 0.67 points lower at 111.90. The short end of the yield curve outperformed the long

UK GILTS closed lower in

INTERNATIONAL CAPITAL MARKETS

end as investors sensed that rates may be creeping into the Bank of England's agenda, in spite of there being no sign of any change in its official stance on

Figures released on the state of manufacturing by the Chartered Institute of Purchasing and Supply showed the sector stuck in the doldrums.

In the cash market, the

yield spread between the benchmark gilt and bund was at 117 basis points. The main GERMAN BUND future settled down 0.80 points at 112.83 in volume of 544,000 contracts traded in Frankfurt.

On the Chicago Mercantile

Exchange, trading in the

Standard & Poor's 500 stock

index futures leapt to over

200,000 contracts on Friday

This compares with a daily

average for the year to date

(to end-July) of just over

The spill-over effect on the

Merc's "e-mini" contract – a

scaled-down version of the

main contract designed to

appeal to smaller investors

and traded, primarily via an

electronic system - was

118,000 contracts.

and to 246,875 on Monday.

Among shorter-term issues, the 10-year note was down # at 104 %, yielding

tors, new data were also released on the US economy. The NAPM index of manufacturing activity rose to 49.4 and the rising stock market in August, from 49.1 in July. Meanwhile, the Conference Board's index of leading indicators rose 0.4 per cent Capital Markets New York. in July to 105.4.

to open office in London

The Swiss Exchange (SWX), Europe's fourth biggest stock exchange, is to open an office in London in a bid to regain its position as Europe's main eurobond trading centre.

Switzerland was the world's biggest centre for eurobond trading in the 1970s, but the imposition of stamp duty on securities transactions led to the busiess migrating to London.

The SWX is fighting to get the duty removed, but in the interim it is seeking to open up its electronic trading platform to remote members whose transactions will not be liable to the Swiss tax.

The SWX is seeking UK regulatory approval and its London office is expected to open before the end of the year. Its primary mission will be to sell the advantages of remote membership of the Zurich-based SWX to London's eurobond dealers.

The SWX switched to electronic trading in equities in August 1996 and now believes it has one of the cheapest and most transpar ent electronic trading and settlement platforms.

At the end of July 1998 i began electronic trading in 250 US dollar-denominated eurobonds and plans to start trading in euro-denominated bonds at the start of next year.

Swiss banks are among the biggest traders in eurobonds and it has been estimated that more than half of all eurobonds end up in

Swiss portfolios. SWX is a 50 per cent owner of Eurex, the European derivatives exchange, though it stressed that its office would be separate

NEWS DIGEST

MATIF

Task force appointed to tackle technical hitches

Matif, the French derivatives exchange, has appointed a task force to tackle a series of technical hitches that have repeatedly delayed the start of trading, most recently on Monday. The exchange has been experiencing problems with a new electronic trading system known as NSC-VF. The system was introduced in April and replaces traditional pit-based trading. It is Matif's main weapon in its battle for a share of

derivatives contracts related to the single European currency, the euro, when it is introduced in January next year. Matif said yesterday it planned to launch Europe's first "multi-issuer" contract in the 30-year segment of the euro yield curve, an "E-bond future", on September 28. Pascale Samaran, the exchange's chief executive, said the problems were related to a computer company that Matif uses to run computer systems, not to the NSC-VF system itself.

Monday's troubles, which caused the exchange to delay

opening by two hours, followed tests carried out over the weekend to prepare for the introduction of the euro. Computer operations had not been completely restored in time for the start of the week's trading.

"I understand a trader can get mad when he is trying to execute an order and can't. But I think our record is showing some improvement," Mr Samaran sald. Jeremy Grant

FINANCIAL FUTURES

Fresh salvo in Cantor battle

The Chicago Board of Trade and four other derivatives and equity exchanges have fired a fresh salvo in the battle over the proposed Cantor Financial Futures Exchange - the new electronic-based bond futures trading system - accusing its backers of making "significant changes" to their application for regulatory approval after public comment

The exchanges - which include the American Stock Exchange, the Chicago Board Options Exchange, the Minneapolis Grain Exchange, and the Kansas City Board of Trade - said they were petitioning the Commodity Futures Trading Commission, the industry regulator that must approve the new exchange, demanding it require submission of a final complete proposal, and then provide another 30-60 days for public comment.

"The ever-shifting nature of the Cantor Exchange proposal requires the commission, at some point, to make a judgment that the application is finally complete and then to provide interested parties with a description and legal analysis of that application," the CBOT said in a letter.

The CFFE proposal, a joint venture between the New York Board of Trade and the Cantor Fitzgerald brokerdealer business, has set alarm-bells ringing at traditional "open-outcry" exchanges, which fear a loss of business to new electronic-based trading systems. Nikki Tait, Chicago

Volumes soar on leading exchanges

and Edward Luce in Loodon Trading volumes on the world's leading derivatives exchanges have soared in tors have rushed to improve their exposure to the highest safe-haven instruments, 1.3m contracts on Monday

quality underlying government bond markets. The London International Financial Futures and Options Exchange said it had recorded its third busiest day last Friday, with an overall turnover of 1.67m below the high of 800,000 contracts (the highest was

on October 9 last year). Two contracts - the eurolira interest rate future and the short sterling option - derivatives exchanges have posted record daily turn-

WORLD BOND PRICES

08/08

10 YEAR BENCHMARK SPREADS

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BENCHMARK GOVERNMENT BONDS

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219,689 and 167,493 contracts

DERIVATIVES INVESTORS RUSH TO IMPROVE EXPOSURES

respectively. Analysts said investors were hoping to compensate for some of their losses in emerging markets by improving their exposure to such as the 10-year German government bond through

the futures market. Turnover in the bund future exceeded 500,000 yesterday - well in excess of its normal daily average but recorded last week. "Futures contracts thrive on volatillty." said an official at Liffe. In Chicago, all three big

with trading volumes of trading days, with traders the jump in the exchange's clearing of trades had not staggered as much by the volatility of the markets as the net price movements.

On the Chicago Board Options Exchange, the largest options market worldwide, volumes jumped to and 1.1m last Friday. That compares with average daily trading levels in the year to end-July of around 805,000

However, volumes at the exchange had already been building, averaging around 920,000 contracts a day in August. By yesterday, some investors were said to be getting out of positions during the past few days, rather seen a huge surge in vol-

BOND FUTURES AND OPTIONS

III. NOTIONAL FRENCH BOND FUTURES (MATE) FF/500.00 Sett price

Set price Change 112.36 -0.29 112.68 -0.20

III LONG TERM FRENCH BOND OPTIONS (MATR)

contracts a day.

"market volatility index", been affected. which measures fluctuations in the front month options on a group of leading stocks.

This swept to a record close of 48.33 on Monday, up from 40.95. A year ago, the index was pegged in the high teens, and although it surged to a record intraday high of 57 last October, for much of this year it has been

On Monday night, the degree of price volatility was partly blamed for a brief hiccup in the exchange's quote reporting system. The problem occurred just before the market closed, and rectified within 10 minutes. The exchange said trading

equally pronounced. Volitself was never halted and

Nov 0.57 0.52 1,14

umes reached 30,594 contracts on Monday, more than double daily average volumes in the year to end-July. | from Eurex's London office.

Ecu					INTERN	ATIONAL	BONDS					
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	7.25 A+ 7.30 BBB		5.84 -0.04 6.44 -		0.92 Walt Disney 0.98 SR FRN	06/00 93/01		107.2500	4.33 3.96	-0.01 -0.04	-0.28 -0.25	+0.15 -0.20
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	6.75 AA 9.70 BBB+		5.44 -0.03 6.81 +0.06		1.52 Drescher Bk 1.46 British Gas	12/07 03/00	7.750 AA- 7.825 A-	109.6785	6.33 6.91	+0.09	-0.33 -0.67	+0.55
FIRMC 04/07	7.14 N/A	111.4201	- 5.46 –0.02		Abbey Nat FFIN	02/02	7,900 A		5.82	+0.04	-0.53	+0.01
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Latest		reasury Bills a	and Bend Yiel	ds	World Benk — Spein Cred Fonder	03/02 03/02 08/02	5.250 AM 5.750 A 4.750 I	117,7715	0.70 0,67 1.16	+0.01 +0.01 +0.01	-0.13 -0.12 -0.13	-0.03 -0.06 +0.43
Prime rate	One monija Two monija Three monija	492	Two year Three year Plue year	4	LEG Baly FRM	07/99	0.727 A/		0.10	+0.01		-0.28
Fed. Funds	Six sandı One year	499	10-year 30-year	5		ı radingə. Yildər i	DCN MARKET STANGE	rd/American to	Søyter ok.	وطهودياها	: DameFT ini	البهيسة
UK BONDS								•	•			
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Price indices	OVT. SECUI Tue Day's ap 1 change	s Fri	Accrued interest	xd adj. ytd		coupon yield Aug 28 Yr.		caupen yiek		ده طهی	Kind Spon yiel Ti 29 Yr	4-
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Price lodices UK GRts Si 1 Up to 5 years (17) 11 2 5-15 years (20) 16 3 Over 15 years (5) 21 4 irrademables (4) 27	Tue Day: ep 1 chasse 19.65 -0.6 13.61 -0.7 75.97 -2.6	s FH 5% Aug 28 16 119.73 17 167.59 78 215.29 19 281.85	2.04 2.53 2.88 3.64	7.09 7.14 7.40 8.53	Sep 1	Aug 28 Yr.	ago Sep 1 / 00 5.76 10 5.37 00 5.35	kug 28 Yr. a	ago Se 6 5. 7 5.	High co p 1 Au 74 5 48 5	upon yiei ng 28 Yr i.70 7	4 . ego
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Price indices UK GRbs S 1 Up to 5 years (17) 11 2 5-15 years (20) 2 3 Over 15 years (5) 2 4 implementes (4) 27 5 All stocks (46) 16 index-linked 6 Up to 5 years (2) 22	Tue Day's p 1 change 19.85 -0.4 13.61 -0.1 75.97 -2.6 19.85 -0.4 11.00 -0.00	s Fri 5% Aug 28 16 119.73 17 167.59 18 215.29 19 281.85 12 159.35	2.04 2.53 2.88 3.64 2.44	7:09 7:14 7:40 8:53 7:37	Sep 1 5 yrs 5.69 15 yrs 5.25 20 yrs 5.22 hred.† 5.48 ——1 Sep 1	Aug 28 Yr. 5.83 7.1 5.17 7.0 5.15 7.1 5.36 7.1 Aug 28 Yr.	ago Sep 1 1 00 5.76 10 5.37 10 5.35 6	lug 28 Yr. a 5.70 7.0 5.29 7.0 5.27 7.0 — infinition Sep 1 Au	ago Sa 6 5. 7 5. 7 5. 9 10% -	High co p 1 Au 74 5 48 5 48 5	upon yiei ng 28 Yr i.70 7 i.37 7	4 . ego .12 .13
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6.35 6.17 6.25 7.15 6.90 6.30

5.25 5.38 4.27 5.90 5.45 5.54

High 128-00 127-28 126-28

Change -0-15 -0-13 -0-21

Low 128-21 128-17 126-21

Est. vol. Open int. 183,292 329,154 574,254 522,627 1,742 60,185

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Task force appointed to tackie technical hitches

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Chicago

Dollar rebounds on unstable markets

MARKETS REPORT By Richard Adams

and Robert Chote The US dollar tracked the swings and roundabouts of Wall Street yesterday, falling and then rising as the bears

and bulls battled it out. The dollar ended the trading day in Europe against as the Dow Jones index the D-Mark at DM1.749, some 1.5 pfennig weaker than its previous closing rate in London. Against the Japanese yen it was Y136.4, just over Y3.5 lower.

But the European closing prices failed to tell the full story of the dollar's see-saw ride. The dollar earlier slumped to a nine-month low against the D-Mark, and its weakest level against the yen for two and a half months. The Australian and Canadian dollars enjoyed a rare respite from their weakness, strengthening against the US dollar as the idea

abounded that the Federal

Europe
Austria
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Denmari
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Germany
Greece
Instend

POUND SPOT FORWARD AGAINST THE POUND

to cut interest rates. begun to price in a cut. The

greenback was not helped by the less robust than expected NAPM survey result. However, after Europe's close, the dollar rose again strengthened. Against the yen the dollar reached above Y137 before hitting resistance, on talk of Japanese repatriation.

ket of currencies yesterday. to 105.3 per cent of its 1990 value. It closed stronger against the enfeebled dollar but the US currency pulled it

POUND IN NEW YORK 1.8721 1.8671 1.6475 1.5788 1.6739 1.6532

Reserve would be prepared lower against the D-Mark. With eyes focused ner-The movement in Fed vously on equity markets, funds futures suggest that confirmation of the plight of many in the market have British manufacturing did little to influence interest expectations or the pound. The Chartered Institute of Purchasing and Supply reported a deepening slide in factory output, although sep-

arate figures from the Bank

of England showed the consumer resilent for now. . Analysts at Goldman Sachs argued that sterling's strength during the recent turmofi was understandable ■ Sterling dropped 0.7 points in the light of short positions against a trade-weighted basin the market. They expect economic weakness to pull sterling lower directly, or possibly via an early rate cut. They look for an early test of DM2.88, which if successful would raise the pros-

> nical analysts see support for sterling at DM2.9285 and DM2.9150. Michael Saunders, at Salo-

lower. In the meantime tech-

Against the D-Mark (DM per \$)

Dec '97 mon Smith Barney, noted that futures markets priced in almost half a point off base rates by the end of the year. But he argued that equity markets were not yet

weak enough to justify pect of a drop to DM2.78 or easier policy, making it likely that rates would not fall until next year. If this view takes hold it might give sterling support

0.230

.1998

■ Outside of Wall Street, the stronger, with analysts conmost significant develop- cerned that a fixed exchange ment of the day was the rate could also be introdecision by Malaysia to impose swingeing capital

As a result, Malaysia's cur-

controls.

the ringgit will take place HSBC in Hong Kong. on-shore. Holders of the ringgit offshore must repatriate them by the end of this month (about M\$100m, or \$25m). All settlement of ate by 10 per cent to 15 per exports and imports must be made in foreign currency, and non-residents who sell shares cannot repatriate

The ringgit ended the day OTHER CURRENCIES

earnings for a year.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

\$53.124 - \$3.2863 31.8570 - \$3.7425 \$74.116 - \$74.485 22.020 - \$23.129 \$085.20 - \$032.50 \$000.00 - \$000.00 0.5125 - 0.5129 | 0.3055 - 0.3055 \$3.130 - \$1.225 | 3.0480 - 3.0550 \$5.1564 - 6.2401 | 3.5770 - 3.7000 \$1.611 - 8.1848 | 3.5725 - 3.5720

duced. Other east Asian countries may be tempted to follow Malaysia's lead.

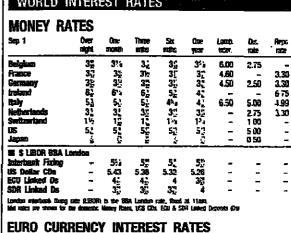
rency - the ringgit - is no ■ Is China about to devalue? longer legal tender outside Not according to Joe Zhang, of the country. All trading in head of China research at

"The renminbi is mas sively undervalued," Mr Zhang told a briefing yesterday. "I expect it to apprecicent in the next two years. The appreciation would begin in the fourth quarter of 1998, when exporters began to repatriate a greater portion of their foreign

vert them to yuan. "Deflation means the renminbi is strengthening domestically in terms of its purchasing power,"

exchange earnings and con-

Zhang said.
"Deflation and the renminbi appreciation are



EURO CURRENCY INTEREST RATES

Sep 1	Short term	7 days notice	One month	Tòrne months	Sin. Imanifes	ûne year
Belgian Franc	3" - 31	31 - 32	34 - 34	3'; - 3';	39 - 35	35 - 33
Danish Krone	4 - 3%	4: 4	44.41.	42 - 43	4 4	47 - 47
German Mark	34 - 34	3. 31.	3 35	3: 3.	3 3.	3 4 3.
Dutch Golder	3: - 32	31. 3.	32 - 34	57 - 54	3. 31	3, 3
French Franc	3, - 3,	35 31	31 . 3"	3 3	3 - 3-	3 4 2
Portuguesse Esc.	42 - 42	42 42	4F - 47a	4 - 4	4 4 - 4.	4 - 3"
Sognesh Pesato	4. 4.	4. 42	4 4.	4, -41	4 - 4.	J
Sterling	7. 71	7. 7.	75 - 75	7 7.	7	7. 7
Sets Franc	14 14	12 15	18 - 15	អឺ•• ដើ្	15 - 15	15 - 13
Canazian Dollar	59 - 54	574 - 50	5 - 52	5.4 - 51,	57 - 57	65 5
US Dollar	594 - 594	5. 51	5 . 5	52 - 512	51 5_	5. 5
italian Lira	51 - 51	5 54	5 5	5 4.	42 - 4	4 4
Japanese Yen	i	1	2 - 1	Ÿ . <u>:</u> *	÷ . ;	2 - 2
Asian \$5ing	Š	72 - 4	Б 5	6 53	6 - 5	6 - 57
Short torm cales as	e call for the 15	Deliter and To	00. DEPOS. 3040	days notice	_	-

Sep Dec Mar Jun 18 OREE M	Open 96.510 96.400 96.430 96.360	96.475 96.430 DMARK FUTU Set prico 96.510 96.400 96.425 UARK FUTURE Sett price 96.550	Charge +0 005 +0.035 +0.080 +0.090	High 96.545 96.420 96.470 96.455 XM3m points	Low 96,505 96,385 96,415 96,360	6.753 7,899 1 Est. vol 78237 147391 123182 82294	46.63 84,94 Open 5898 5295 5478 2619
Sep Dec Mar Jun 188 Okt Mar Sep Oct	Open 96.510 96.400 96.430 96.360 ONTH EURON	Set price 96.510 96.510 96.400 96.450 96.425 LARIX FUTURE Sett price	Change +0.005 +0.035 +0.080 +0.090	High 96,545 96,420 96,470 96,455 04(3m points	Low 56,505 96,385 96,386 96,368	Est. vol. 78237 147391 123182	Open 5098 5295 5478
Sep Dec Mar Jun 18 OREE M	Open 96.510 96.400 96.430 96.360 DATTH EURON	Sex price 96.510 96.400 96.480 96.425 UAROK FUTURNE Sett price	Change +0 005 +0.035 +0.080 +0.090 +0.090	High 96.545 96.420 96.470 96.455 XM3m points	Low 96,505 96,385 96,415 96,360	Est. vol. 78237 147391 123182	5098 5295 5478
Det: Mar Jun 100 OREE MA Sep Oct	96.510 96.430 96.430 96.360 DWITH EURON	96.510 96.400 96.460 96.425 WARK FUTURE Sett price	+0 005 +0.035 +0.080 +0.090 8 (LIFFE)* [96.545 96.420 96.470 96.455 XKGm points	96.505 96.385 96.415 96.360	78237 147391 123182	5098 5295 5478
Det: Mar Jun 100 OREE MA Sep Oct	96.400 96.430 96.360 Dath Eurob	96 400 96 450 96 425 WRK FUTURE Sett price	+0.035 +0.080 +0.090 88 (LIFFE)* [96,420 96,470 96,455 XM3m points	96.385 96.415 96.360	147391 123182	5295 5478
Mar Jun 100 OREE MA Sep Oct	96.430 96.360 Dath Euron	96 460 96 425 VARIK FUTURE Sett price	+0.090 +0.080	96.470 96.455 MGm points	96.415 96.360	123182	5478
Jun THE CORRES NA Sep Oct	96.360 With Euron	96 425 VARIK FUTURE Sett price	+0.090 35 (LIFFE)* [96.455 XM3m points	96.360		
Sep Oct	ONTH EURON	Sett price	S (LIFTE)" I	XXC3m pokate		62294	3619
Sep Oct		Sett price			of 100%		
Oct	Opes	•	Change				
Oct		DE CEG		High	Low	Est. vol	Open
		20.270	+0.005			0	0
SE THREE		96.540	+0.035			0	0
	MONTH BLAN	OLIRA FUTUR	2\$ (UFFE)*	1.1000m pol	als of 100%	<u> </u>	
	Open	Sett price	Change	Hilgh	Low	Est. voi	Open
Seo	95,160	95.030	-0.120	95.170	94,940	82714	1784
Dec	96.110	96.090	-0.030	96.130	96.000	67245	1817
Mar	96.370	96.410	+0.080	96.440	96.360	52060	2653
Jan	36.340	96.380	+0.080	98.410	96.340	7765	5976
	MONUH EIK	SWASS FRA	NÇ PITURE	S (LIFFE) SI	rim points	of 100%	•
	Open	Sett price	Change	High	Low	ESL VO	Cpen
Sep	98.380	98,400	+0.070	98.460	98.350	15223	7126
Dec	98.300	98.330	+0.100	98.410	98.280	27637	7252
Mar							3610
التواد .	98.140	98.160	+0.100	98.240	98.126	3050	2269
M THREE	MONTH EUR	YEK FUTURE	25 (LIFTE) Y	100ca points	of 100%		
_	Open	Sett price	Change	High	Low	Est. vol	Open
Sep		99 27	+0.04			0	0
Dec		99.29	+0.07			0	g
Mar		99.32	+0.08			0	0
* LIFE NAM	es viso traded	on APT					
	MONTH EUR	RUTURES (A	AFFE) Ecutin	n points of 1	100%		
	Open	Sett price	Change	High	LOW	Est. yel	Open.
04	•	-	-	-		Λ.	0
	96 280			96 300	96 250		807
							539
	Sep Dec Mar Jun Bill THREE Sep Dec Mar Jun Bill THREE Sep Dec Mar Jun Bill THREE Sep Dec Mar LIFFE Rubul Bill THREE	OCI SE THREE MONTH EUR Open Sep 95.160 Dec 95.160 Mar 96.370 Jun 36.340 SE THREE MONTH EUR Open Sep 98.380 Dec 98.380 Dec 98.390 Mar 98.250 Jun 98.140 MI THREE MONTH EUR Open Sep Occ Sep Open	Det	DC	DC 96.540 +0.035 +0.035 +0.035 +0.035 +0.035 +0.035 +0.035 +0.035 +0.035 +0.035 +0.030 +0.0	Dec	Dec

+0.080 +0.085 M EUROLERA OPTIONS (LETTE) 1,7000m points of 100% 0.070 0.030 0.165 0.250 1.180 0.030 0.870

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CROSS RATES AND DERIVATIVES 4.848 2.627 2.962 1 2.513 0.101 0.886 2.262 0.977 1.178 2.196 1.215 2.935 1.131 1.749 1.282 1.972 5.473 2.966 3.367 1.129 2.837 0.114 1 2.554 1.103 1.330 2.479 1.372 3.314 1.277 1.975 1.448 2.227 21.43 11.61 13.18 4.421 11.11 0.448 3.916 10 4.319 5.207 9.707 5.371 12.96 5.000 7.734 5.668 8.718 411.6 223.1 253.2 84.91 213.4 8.595 75.20 182.1 82.95 100 186.4 103.2 249.2 96.03 148.5 108.9 167.4 22.08 11.96 13.58 4.555 11.44 10.30 4.450 5.334 10 5.534 13.37 5.151 7.967 5.840 8.861 3,990 2,182 2,454 0,823 2,068 0,729 1,862 0,804 0,969 1,807 1 2,416 0,931 1,440 1,052 1,623 1.652 0.895 1.016 0.341 0.856 0.034 0.302 0.771 0.333 0.401 1 0.385 0.594 0.595 0.595 4.286 2.323 2.637 0.884 2.222 0.090 0.785 1.041 1.941 1.974 2.595 1 1.547 1.1547 1.929 1.045 1.187 0.398 1 0.040 0.352 0.900 0.389 0.469 0.874 0.484 1.188 0.450 0.696 0.510 0.785 4788 2595 2846 967.9 2482 100 875.0 2235 965.2 1164 2169 1200 2900 1117 1726 1267 1948 496.2 268.9 305.2 102.4 257.2 10.36 90.65 231.5 100 120.5 224.7 124.4 115.8 179.1 131.2 201.8 129,108 8,812 1,920 110,654 7,734 75 339.625 0.784807 7.50045 187.307 1947.16 6.80502 201.922 1.9704 40.6360 13.8616 5.98572 2.22359 92,420 92,740 93,000 93,210 93,380 0.245 0.155 0.060 0.050 0.030 0.030 0.015 0.050 0.100 0.185 0.300 0.415 441,563 424,963 435,798 54,446 73,740 116,432 BASE LENDING RATES

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Analysts see sharp falls in metal supplies

By Kenneth Gooding Mining Correspondent

The

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7.08

ber

Supplies of aluminium. copper and nickel could be cut back significantly at a mines and plants, cut off time when global stocks are from foreign investment for relatively low because of refurbishment, might gradu-Russia's financial meltdown,

analysts suggest. They dismiss the idea that the collapse of the rouble will encourage big increases in exports of these metals. They say Russia has little stock and is already selling to western markets nearly as much as it produces.

There could also be

India to

soyabean

exchange

India is to set up a domestic

futures exchange for soya-

beans, the country's third

largest oilseeds crop after

eroundnut and rape-

The Soyabean Processors

Association has been given

the go-ahead by the federal

government to start trading

futures in sovabeans and

soyabean products, though

trade officials say it will take

at least six months to draw

up the contracts and regula-

tions and build the infra-

structure, including a clear-

The contracts and trading

rules will also require

Markets Commission.

approval from the Forward

The futures trading will

cover soyabeans and soya-

in India, but will exclude

However, the government

seed/mustard.

ing house.

imports.

Open int.

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BASE METALS

LONDON METAL EXCHANGE

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ME ZINC, special high grade (\$ per turne)

1379-80

1183-85

By Kunal Bose in Calcutta

set up

metals processing industry. Tony Warwick-Ching at ally collapse and their output fall, as happened in the Congo, Zambia and other countries deprived of foreign

investment for long periods. Many big investment projects in Russia are increasingly dependent on foreign expertise as well as finance.
"With foreign direct

investment shut off or long-term, debilitating reduced, the operations -

improve recently - will unexpected supply disrupdecay further, output poten- tions will lead directly to Flemings Global Mining tial will gradually decline shortages of metals." Group suggested Russian and exports slide," said Mr Warwick-Ching

> On the disruption to metal production or deliveries, for 23 per cent of global Annemarie Gardner and Kenneth Gray, analysts at ABN Amro, said: "Uncertainty among western partners about the safety of transactions or the continuity of deliveries could in could only increase output extreme conditions lead to a serious credit crunch and

production problems. of metal and steadily falling nickel, are not major produc-

In a special report, the ABN Amro analysts said the Russian Federation accounts nickel production, 13 per cent of aluminium and 4 per cent of copper output.

They suggested that Norilsk, which produces most of Russia's nickel and copper, after substantial capital expenditure.

"Norilsk's competitors. "Given the very low level Uralectronomed and Ural- working capital require-

effects on the mining and some of which had begun to inventories in the west, any ers or exporters and could well go bankrupt in the present environment," they said. Even if Russia's domestic

aluminium demand halved, the impact on global markets would not be dramatic. "We believe the economic crisis will probably cap the

rate at which aluminium smelters can produce. The smelters rely on imported raw materials which may face cross-border transaction problems because of the instability. Also, the smelters will have more difficulty raising cash for increased

suggested there might be increased exports of scrap, which could be a problem for copper and nickel.

The ABN Amro analysts argued, however, that low metal prices have reduced the attractiveness of scrap collection, and the cost of collection in Russia has risen substantially because most scrap arriving in European markets is brought from the Urals.

"This means higher trans port costs at a time when margins are already negative," they said in their

Storm report supports oil

MARKETS REPORT By Robert Corzine, Kenneth Gooding and Gary Mead

The gloom that has enveloped the oil markets of late was partially lifted yesterday by a storm in the Gulf of Mexico that threat-

ened offshore output. The evacuation of a number of production platforms Brent Blend for October delivery quoted at \$12.57 a barrel in late trading on London's International Petroleum Exchange, one cent up on Friday's close.

The threat of production disruptions in the US helped offset earlier comments from Amer Muhammad Rasheed, Iraq's oil minister, who said Baghdad intended to raise its export volumes during the next phase of the oil-forfood programme. A steady rise in Iraqi exports has been one of the main reasons behind the low oil price.

Gold in London clawed its on Friday of \$273.40 a troy ounce to an afternoon "fix", tonne, although volumes of \$279, up \$5.60, or 2 per were also low, at 3,206 lots.

cent. Dealers said this was the result of some short covering and some Japanes buying as the yen rallied.

On the London Metal Exchange traders said aluminium was also lifted by similar factors.

Robin Bhar at Brandeis (Brokers) said three-month aluminium's \$21 a tonne, or 1.5 per cent, rise to \$1,383 was based on Japanese buyunderpinned prices, with ing encouraged by the stronger yen. The premium for copper for immediate delivery, compared with metal for delivery in three months. which reached more than \$30 a torme on Friday. eased yesterday and by the close was \$4. Three-month copper closed at \$1,642 a tonne, up \$25, or 1.5 per cent, from Friday's close

On the London International Financial Futures and Options Exchange November coffee ended \$25 down at \$1,605 a tonne, on another day of low volumes, with just 3,643 contracts traded. September cocoa, however, way back from a 19-year low ended more positively, closing £7 higher at £1.076 a

NEWS DIGEST

· JESTERS

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GOLD

Congo faces claim over expropriation of mines

The government of the war-torn Democratic Republic of Congo - formerly Zaire - is facing a claim for more than US\$1bn from Banro Resources, a small Toronto-listed exploration company. Lawyers acting for Banro's US subsidiary have filed a claim at the International Center for the Settlement of International Disputes in Washington seeking restitution for "the sudden and unlawful expropriation of the company's gold mining concessions in eastern

William Wilson, president of Banro American Resources. said: "Banro's story has become widely known among foreign investors in the Congo and has had an immediate chilling impact, particularly in the critical mining sector." Banro says the government unilaterally dissolved its Congolese subsidiary and terminated a 25-year mining con-

The government said this was because of "irregularities" when Banro's 93 per cent owned subsidiary, Sakima, was set up to take over mining concessions held since the early 1990s by a predecessor company, Sominki. Discussions with President Laurent Kabila's office

appeared to indicate an acknowledgement that a mistake may have been made by the government in this case, Mr Wilson suggested. "We will take any and all steps to protect our lawful interests and have asked our lawyers to explore other legal remedies, including additional lawsuits in US federal court." Kenneth Gooding

PEANUTS

Fears grow of global shortfall

There are growing fears of a global peanut shortfall this year and next, as recent floods in China and earlier torrential rainfall in Argentina - two of the world's biggest producers - have badly affected the harvesting, quality and total size of the current crop.

This follows a forecast by the US Department of Agriculture that US peanut production, which has been affected by drought, will fall 2 per cent this year to 1.58m tonnes. The state of Georgia, the country's largest producer, is predicted to harvest only 592,330 tonnes this year, against 605,021 tonnes in 1997, while Florida's harvest is predicted to drop by 15 per cent. Because of the drought in the biggest peanut-growing states, prices of US peanuts rose by about 20 per cent in July; they have recently stabilised at about 40 cents a pound.

In Argentina, where harvesting normally takes place in April and May, the heavy rainfall delayed lifting of the crop by two months and has substantially reduced the expected crop size. Traders say the total available export crop could be reduced by as much as 38 per cent, to 330,000 tonnes, against 530,000 tonnes expected at the beginning

China's flooding has also damaged oilseed crops and is therefore likely to mean increased demand for peanuts to crush for oil, putting even greater pressure on prices. Prices of peanuts on the international markets have recently breached \$1,000 a tonne, against \$930 a tonne a month ago. Gary Mead

JOTTER PAD

extraction units and refineries can plan production in

Trade officials say the government will allow futures trading in groundnut and rapeseed/mustard early next

bean oil and cakes produced Soyabean is India's fastest expanding oilseed in terms of land coverage and producplans to extend the futures tion, and the area under the trading to all important oilcrop has increased 500,000 seeds so that farmers can hectares to 6.2m hectares secure better prices and oil this season.

and Maharashtra, the three major sovabean producing under the crop," said VMA, a

research institute for oil-

Sep Nov Jan

- 116.2k

Prices of edible oils have encouraging farmers to grow sunflowers over much larger areas. The total area under oilseeds is up 1.5m hectares

"A lot of fallow land in to 16.5m hectares this sea Madhya Pradesh, Rajasthan son, said trade officials. This season's soyabean

harvest will start during the states, is being brought next two weeks, and VMA said the crop was "in excellent shape and there are no ses". Good rains from the risen steadily since January, monsoon and the cultivation of additional land for soyapeanuts, groundnuts and beans mean there is likely to be a record crop of nearly 7m tonnes, against 6.5m

SOFTS

III COCOA LIFTE (10 tonnes: £/t

SE COCCA (CCC) (SOFFafonne)

WHITE SUGAR LIFFE (50 torner; \$/lonne)

7.38 -0.17 7.48 7.15 7.86 -0.08 7.93 7.82 8.01 -0.08 8.06 7.80 8.97 -0.97 7.98 7.90 8.24 -0.13 8.25 8.19

+5 1580 1585 +5 1621 1604 +5 1680 1848 +5 1682 1675 +7 1709 1708

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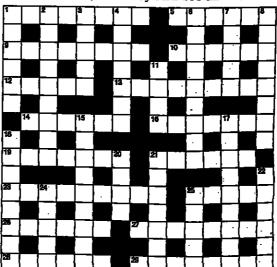
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LONDON SPOT MARKETS

-	Dubai	\$1229-2.43x	+0.06
-	Brent Blend (dated)	\$12.04-2.09	+0,115
-	Brent Blend (Oct)	\$12.54-2.59	+0.215
•	W.T.L	\$13.65-3.70x	+0.39
•	TOE PRODUCTS NWED	umpt delinery CIF (ioms)
2	Promitors Gasoline	\$148-149	-1
	Ges Off	\$110-111	è
-	Heavy Fuel Oil	\$\$6- 5 8	•
•	Haphina	\$109-112	-1
•	Jet fuel	\$132-134	+9
•	Diesei	\$117-11B	
•	MATURAL GAS (Peoce)	herný	
	Bactor: (Sap)	12.38-12.43	+0.10
•	Pointings Argus. Tal. League		79.10
	II OTHER	P1113 443 6125	
	- 01(82)		
	Gold (per troy co)\$	\$279.05	+3.90
	Silver (per troy ox)-	473.00c	24.5
Ī	Platinum oper troy oz.)	\$363.00	+13.00
ı	Pallacium (per troy (2.)	\$279.00	+6.50
ı	Copper	79.0c	
	Lead (US prod.)	45.00c	
ı	Tin (Kusta Lumpur)	23.13	
ı	Tin (New York)	280.5	
ı	Cattle (fire weight)	85,420	-2.13
	Streep filtre weight	82.96p	-10.40
	Pigs (the weight)	45.85p	+3.23*
	Lan. day sugar (raw)		
		\$182.00	
•	Loc. day sugar (wite)	\$234.50	+0.5
	Barley (Exg. feed)	(Exp	
	Maize (US No3 Yellow)	£109.00	
	Wheel (US Dark North)	Uriq	
	Rabber (Sep)♥	46.00p	
	Robber (Oct)♥	46.50p	
	Rubber (AL RSS Mot)	264.50pg	+1.0
•	Coconut OH (PMP)§	660.0y	-7.5
	Palm Of (Malay.)§	640.D	
	Coora PhiOS	\$407.5w	-50

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1 Rose drove quickly round That may bring good luck

9 A sovereign posed for a man and a dog (8)

10 Bird let out a cry having 12 He admits one runs to capture wicket (5) 13 Peripatetic merchant shows the spirit o' the game (5.4) 14 Superior sister to a second

rate English queen (6) laced and dance topless (7) interrupts singer (7) 23 Stable hand crosses stream 24 The child is a girl (5)

for a place to eat (5,4) 25 Foreign wife in the East 26 Tuna is stewed in the USA 27 The sect conceals a blow

from the war engine (8) 28 Animation features design of green and yellow, ini-29 Bank accepting money of

3 Proclaim the goat's to lose its head (5) scholar (7)

Goddess wrongly paid hero to kidnap model (9) 7 The atmosphere in the firm is capital (5) 8 Supporter, on the whole, is

temperate (8)
11 Produce a whip (4)
15 Preserving limb affected
with mange (9) 17 Investment requires detachment and faith (4.5) 18 Decline to find a good point in the situation (8)

20 Upset angry archer (4)
21 Pop is to prevaricate about drink (7) 21 Tell story to eminent scien22 Religious festival near sea

side resort (6) 25 A famous bowler is what Donald must be (5) Solution 9,775

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473.00

2,652 1,100 13,575 86,039

MI PALLADRIM NYMEX (100 Troy oz.; \$7coy oz.) 280.50 +3.50 283.00 275.00 207 435 277.00 +4.00 276.00 274.00 385 2.382 272.00 +4.00 274.00 274.00 - 25 436 2,822 473.0 +11.2 482.0 461.5 - 4,363 479.0 +11.2 482.5 460.5 - 57,802 480.9 +11.1 485.0 485.0 - 38 482.8 +11.0 490.0 477.0 - 8,401 484.9 +11.0 - - 1,811 486.9 +11.0 - 2,552 13,314 80,893 ENERGY 14.31 547 18,352 14.52 390 15,827

Precious Metals continued

M GOLD COMEX (100 Troy az.; S/troy az.)

MI HEATING OIL HYNEX (42,000 US gails., CTIS gails.)

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35.35 -0.34 35.65 35.30 14.819 35.43
36.50 -0.35 36.85 36.50 3.871 20.009
38.00 -0.24 38.25 38.00 1.529 25.346
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Latest Day's price change High Lore Vol let 108.25 +4.00 108.50 104.00 8.852 27.835 111.75 +3.275 112.00 107.75 5.293 35.488 115.00 +3.75 110.75 2.556 20.112 118.00 +3.75 118.95 114.25 2.648 42.598 120.75 +3.25 120.75 117.25 385 12.683 12.6 MATURAL GAS PE (1,000 bests), peace per thems)

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279.0 +3.3 286.0 286.0 279.8 +3.3 280.6 278.4 282.2 +3.3 283.0 279.3 70.00 +0.50 - -71.50 +0.50 71.50 71.40 73.50 +0.50 73.50 73.20 236.50 -1.00 240.00 234.50 11.511 5.828 253.50 -0.50 256.50 251.00 22.276 77,416 269.25 -0.25 271.75 256.00 3.205 23,150 279.50 -0.50 281.50 278.00 235 4,169 290.75 -0.75 292.25 287.50 686 10.384 298.50 +0.50 298.00 - 6 354 37,831 121,339 37,831 121,329 Total 37,851 121,359

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May 222,75 +3.25 223,75 217,00 1,087 19,105

July 228,75 +3.25 229,50 223,50 3,317 26,588

Sup 235,25 +2.25 236,50 232,00 291 4,536

Total 28,875 1,975 (100 hypost 5 og human BARLEY LIFFE (100 bonnes; E per borne)

W SOYABEANS CBT (5.000bu min; cents/60to bushel) \$23.00 +8.25 \$25.00 \$09.25 \$2,358 7,410 \$18.00 +8.50 \$19.00 \$08.50 \$2,625 88,989 \$28.00 +7.25 \$29.25 \$18.00 \$2,918 \$20,102 \$39.25 +7.50 \$39.50 \$29.30 1,119 14,097 \$47.75 \$4.75 \$9.50 \$200 \$248 4,965 \$58.00 +7.00 \$59.50 \$49.50 \$217 7,478 \$32.55 \$1.00 \$59.50 \$49.50 \$217 7,478 Sup Hov Jan Mar May Jul Total SOYABEAN OIL CET (60,000fts: cents/ft) 73.37 -0.17 72.50 73.29 5.90 6.38
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GRAINS AND OIL SEEDS

III WHEAT LIFFE (100 tornes: E per tenne)

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PULP AND PAPER ME PULPEX ONLY (USS; 24 at dry toos)

380.00 -33.0 405.00 380.80 59 304 480.50 - 482.50 455.00 77 285 All futures data supplied by CMS. Te3 from the Te2 Brokers' Association

cents with lighter sorts down 2-7 cents. Selected lines of lower mediums gained 20

cents. Others and plainer sorts sold at last rates. Some selected brighter and mediums P.Dusts rose but others were

INDICES

Aug 28 month age 1508.2 1582.3 **iii CRB Futures (Base: 1967 = 100)** Aug 31 195.68 Aug 28 195,35 SCI Spot (Base: 1970 = 100)

Open interest and Volume data shown for contracts tracked on COMEX, WYMEX, CST, NYCE, CME, CSCE

454,450 73,990 305,375 115,550 58,520

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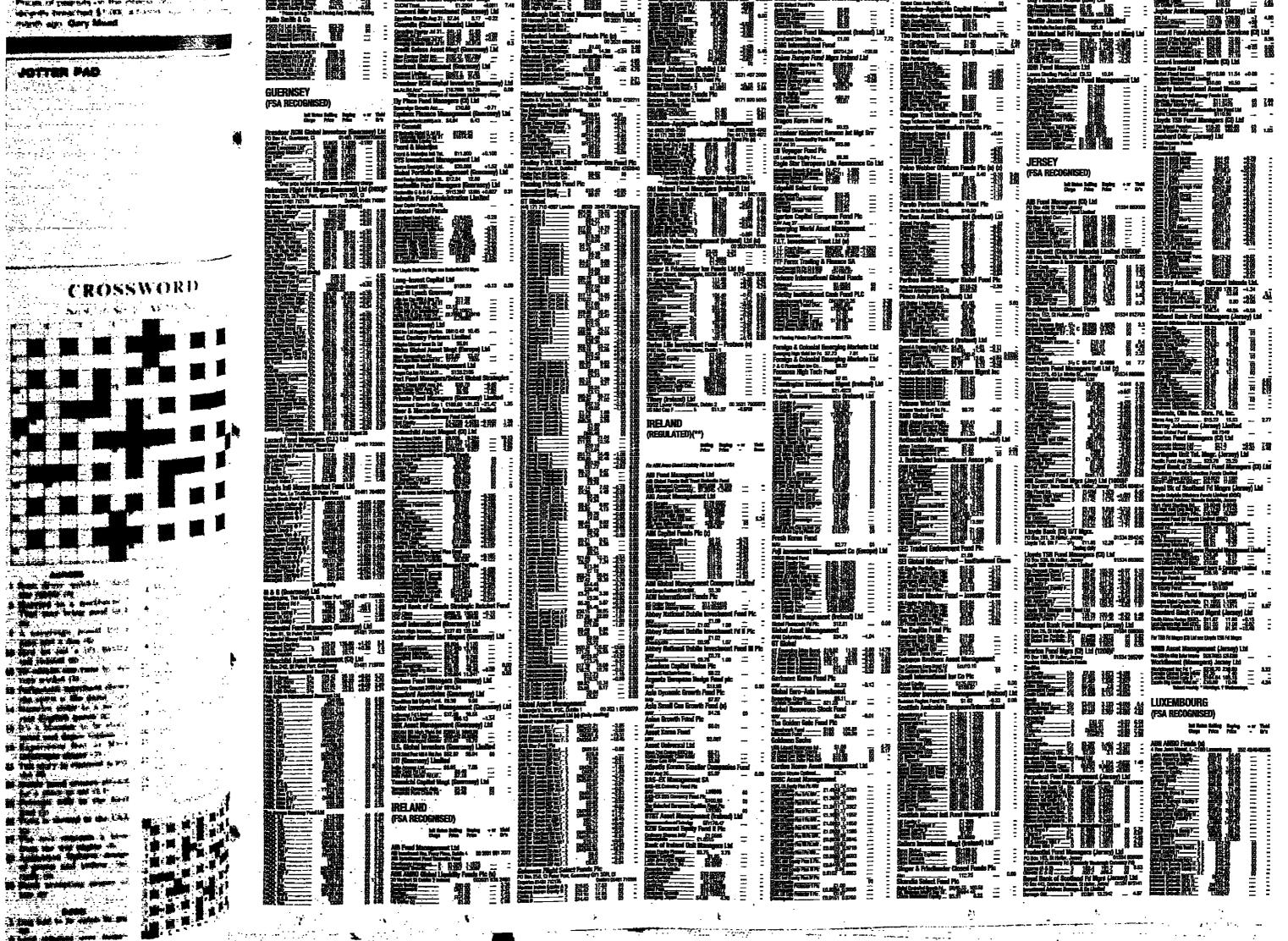
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Fears grow of global shortal

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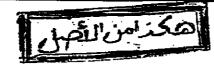
 FT Cityline Unit Trust Prices are available over the talephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. tors ireland Ltg | Compare | Comp

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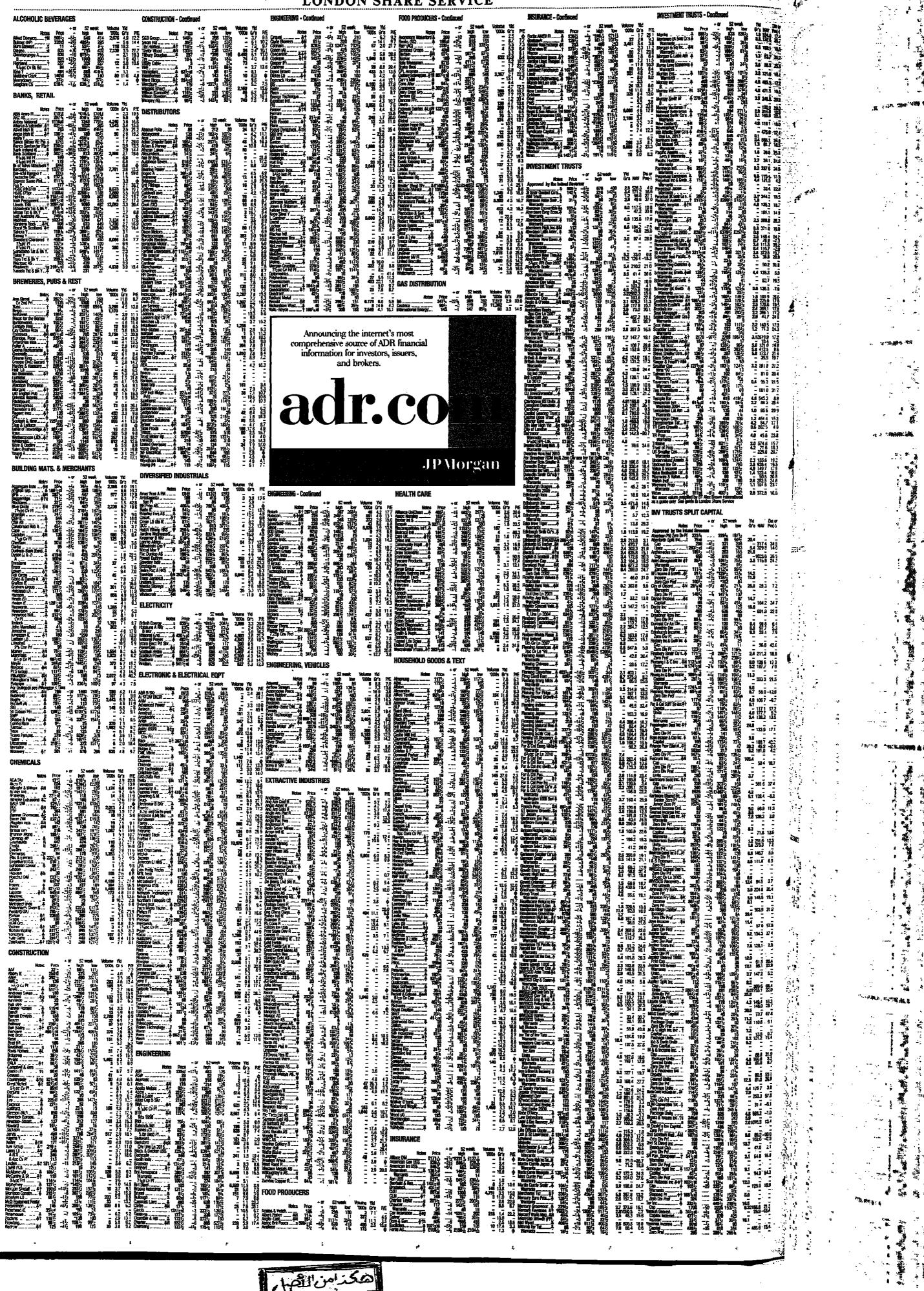
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FINANCIAL TIMES WEDNESDAY SEPTEMBER 2 1998

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FTSE All-Share index

LONDON STOCK EXCHANGE

Equities take a beating but fight back from lows

By Steve Thompson **UK Stock Market Editor**

guessing that the FTSE 100. slong with all the other UK market indices, would finish sharply lower vesterday.

But there were few observers in the London market who would admit to picking a closing Footsie loss of 80 points after the Dow Jones Industrial Average had closed 500 points down on

Monday evening. Most, by their own admis-

Russian

losses hit

Barclays

By Joel Kibazo and Martin Brice

The full impact of the

Russian economic crisis hit

home vesterday when Bar-

clays tumbled after it sur-

prised the market with news

of the scale of its exposure to

Barclays announced pre-

tax charges and losses of

£325m to cover its Russian

exposure and resulting falls

in other markets, well above

That exposure was mostly

held within Barclays Capital,

the majority being in the

form of Russian government

securities and financial insti-

tutions' counterparty credit.

a group that was busy trying

to convince the market that

its quality and risk control

had improved," said one spe-

cialist on the sector. Another

analyst said: "With this

news, the risk premium for

The shares yesterday gave

Rumours suggesting a

merger between Shell and

US group Texaco continued

in an otherwise soggy mar-

up 78 to £13.37 following

brisk trading of 7.8m.

sharply ahead.

Barclays has just gone up."

"This is not good news for

the expected £100m level.

the troubled economy.

COMPANIES REPORT

In the event, the FTSE 100 There were no prizes for closed a net 80.3 or 1.5 per cent lower at 5.169.1, a performance greeted by many as impressive in view of Wall Street's overnight 512point fall, its secondbiggest points drop ever and

> On the downside, there was much less optimism among the market's secondliners and small-cap stocks, which had to absorb another severe hammering.

missed talk it would merge

its operations with Royal

operations, the review of

which is not complete and

this, which is wild specula-

With both companies hav-

and marketing operations

formance late last year.

rumours of a full merger per-

Shares in Shell jumped

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sisted vesterday.

adepoint stars tradedim

tion," a spokesman said.

downstream

The FTSE 250 index relin-

Dutch/Shell Group.

most, too, would have put to 4,627.3 and the FTSE trading for the day. the loss in excess of 200 SmallCap index slid 78.7 or 3.7 per cent to 2,947.4.

There are two distinct rife in the sector since BP's

issues. The fate of our Euro- surprise takeover of Amoco

ing said they have held talks 352p. Lehman Brothers is on their European refining predicting the group will

after Texaco launched a down 50 per cent year on

review of the division's per- year. It has the stock on an

10% to 327p in busy trade of severe among information

Sep 1 Aug 28 Aug 27 Aug 28 Aug 25 Yr ago 11 Aug 1

3255.6 3244.1 3296.9 3322.0 3314.3 3291.7 3315.8 3329.5 3221.3

2867.9 41,284 698.9 53,336 4053.1 946.5

 3305.5
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 15.70

 20.50
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 22.45
 20.31
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 15.71

Just as London plummeted at the outset because of Wall Street's overnight retreat, so it stabilised as the US market embarked an a strong recovery, albeit after a sequence of hefty swings in both directions soon after the start of trading in the a decline of 5.6 per cent.

> At the outset, the Dow pushed up more than 100 points before retreating the same amount and then pushing up again to record a gain of more than 200 points an

21m, one of the most actively

Takeover talk has been

last month. BP shares fol-

lowed the market trend fin-

Selling ahead of tomor-

row's interim results saw

Enterprise Oil slip 25 to

reveal net income of £40m

"outperform" rating for its

"strong asset base and posi-

The bloodbath was most

tive exploration newsflow".

ishing 13 off at 740½p.

traded stocks yesterday.

It was the continuing turfronts, that was behind the wild swings in global stock market sentiment, with worstruck most of the far eastern and eastern European markets might now move on to envelop Latin America.

Turnover on London's pointing 800.9m shares, an indication, according to marketmakers, that the big domestic and international institutions had not London felt relatively sound

investors endured falls in

decline combined with the

drop in technology stocks on

the Nasdaq market in the US

to sour sentiment in the IT

sub-sector. However, vol-

umes were small, suggesting

that the pain was largely a

markdown and the large

institutions had not given in

to the temptation to take

IT stocks have been highly

rated and retained much of

their premium to the market

even after yesterday's falls.

strong enough for London

Bridge Software to unveil

interim results more than

doubled yet see its shares

fall more than 25 per cent, or

The decline prompted one

of the bears on the sector to

amend its stance on some

stocks. Roger Phillips, IT

analyst at Granville, said:

We have been bearish on

the larger stocks in the first

half of the year because val-

3121/4 to 900p.

The general fall was

The general market

excess of 10 per cent.

Best and worst performing FTSE sectors

for a three-figure fall, and quished 158.0 or 3.3 per cent hour after London finished embarked on a sell-off of UK at the finish of the day and stocks.

Although still extremely moil in Russia, both on the nervous of the potential for political and economic big setbacks triggered by 5,000 looks increasingly like events in Russia, marketmakers said they felt the UK term." he said. might now be approaching ries that the perils that have the bottom in the current tained, however, that there

One said: "The institutions are pumped full of cash and London equities remain are picking off the quality stocks on days like this: conequity market was a disap- fidence has been dented but not massively and London still offers better value than Wall Street."

Another pointed out that

moil in world markets

with several stocks aided by

In a review on general

food retailers, Panmure Gor-

don slashed 1999 profit

expectations for several sec-

tor leaders, predicting

However, Panmure contin-

volatility. These include

Marks and Spencer, which

gained 26 to 541p, and Boots.

in which the shares appreci-

ated 38 to £10.31.

slower consumer spending.

broker recommendations.

said there was a feeling that much of the bad news was now in the price. "Footsie the bottom in the short

Some strategists mainwas more pain to come.

"The downside risks for greater than those on the upside," said Richard Jeffrey, group economist at

He insisted that the poor earnings growth outlook for

UK stocks had not been fully factored into the market.

Other stocks in demand

closed 5 better at 1730.

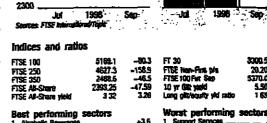
opt for the 450p cash offer from Mayflower, rather than turned to the retail sector the rival one from bus body maker Henlys. At last night's close, the

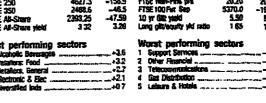
Henlys offer was last night, down Dennis shares

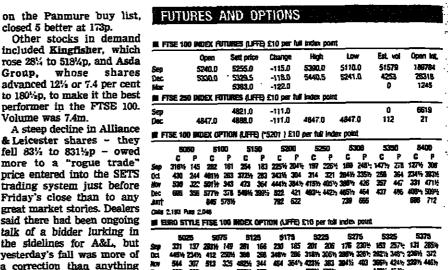
ues to rate several stocks 9 at 456p while amidst the current market was down 61/2 at 1 Figures from 1

brought cold c investors in hou stocks. There were Among the food retailers, the broker favours Safeway. in line with expec

It was 5% up at 314%p as it announced that in-store results season fo banking at its supermarkets builders and alth will spread to 25 branches simmon moved a over the next 12 months, market decline to after successful trials with 146p, the positive partner Abbey National, 4 failed to spread to the res lighter at £11.16. Tesco, also the sector.







jsşue prjet	Amt paid	MAL CED	16	86		Close		Med	Div.	Grs.	P/E
D.	ab hens	En.)	Hágh.	LOW	Stock	P	4/-	œ.			net
	F.P.	0.36	12%	8	Chancer A Writs	12%					
160	F.P.	1,563	182):	145	Coca-Cola Bev	7461	-8	-	-	-	
_	F.P.	-	32	55	Enterprat Cap B PI	56	-14	-	-	-	
§114	F.P.	19.3	117%	8512	#Fixestone D'mond	8572	-2	-	-	-	
Ì	F.P.	_	1884	167%	GENGT Sect Zero	1674		-	-	-	
_	F.P.	_	80	48	Cartmore Br 1846	48%	-35	-	-	_	
-	F.P.	-	87%	82	Do les	83	-4	-	-	-	
-	F.P.	-	66%	83	Do New Inc.	53	-"-	-	-	-	
_	F.P.	4.56	1194	97)	finder Link Foods	97%	-8	20	3.5	2.8	14,
§130	FP.	119.8	129%	1225	(Care	122%	-2	₩-	-	-	14
` -	FP.	405 1	98	94	MEPC Non Cum Pi B	9614		-	_	-	
-	F.P.	14.3	1121	109%	†Metror	1121		136	-	40	
§	FP.	5.76	18%	16%	Morray Extra Pon Cap	15 k		-	-	-	
9	FP.	27.5	100%	99	Do loc	1001		67.95	-	99	
en len en	F.F.	23.5	991	99%	Do Zero Dier Pri	99%		-	-	-	
•	FP.	15.2	65%	37h	†Sodra Petrolesia	375		-	-	_	
•	F.P.	4.96	103%	90%	†SupaRulz	90%		-	-	-	
-	F.P.	_	34		Syanticate Cap Was 98	02 32h		-	-	_	
_	F.P.	180.8	304		Torotrak	1574	-12	-	_	-	
ş	FP.		507	EMP	Tabene IT index	506		_	_	_	

included Kingfisher, which rose 2814 to 51814p, and Asda Group, whose shares advanced 12% or 7.4 per cent to 1801/2p, to make it the best performer in the FTSE 100. Volume was 7.4m. A steep decline in Alliance & Leicester shares - they fell 831/4 to 8311/4p - owed more to a "rogue trade' price entered into the SETS technology stocks, where companies because a scattrading system just before ter-gun approach to buying Friday's close than to any great market stories. Dealers IT stocks at this point might said there had been ongoing be asking for trouble." The somewhat illiquid and talk of a bidder lurking in the sidelines for A&L, but volatile shares in Misys were vesterday's fall was more of among the worst performers in the Footsie, as they fell a correction than anything 346 to £23.04. Those suffering The takeover battle for the biggest falls in the FTSE Dennis took a dramatic turn of the leading lights of the IT after a market raid by Merindex. They were led by Logrill Lynch and CSFB. They ica, off 2371/2 to £15.95, and FI paid 450p a share for 3.4 per cent of the chassis maker on Group, down 217% at behalf of Mayflower, bringing its stake to 4.9 per cent. The surprise move sug-Retail safe haven gests that institutional Buyers seeking safe shareholders had started to havens in the current tur-

	-	FP.	405 1	98	94	MEPC I	Mara Car	m PIB	96%			-	-	_
worth 470p.	_	F.P.	14.3	1121		†Metro			1121		131	; -	40	-
' proposal is	§	F.P.	5.76	16%	16%	Минад	Edu I	Petra Casp	16 i÷			-	-	-
d its shares	. §	F.P.	27.5	100%		Do loc			100%		67.95	5 -	99	-
	. §	F.P.	23.5	994		Do Zen			994		-	-	-	-
564p when	•	F.P.	15.2	65%		†Sodra			375		-	-	-	-
ade to 457p	•	F.P.	4.96	103¥		†Supai			90%		-	-	-	-
111/4.	-	F.P.		34				1982 98/C				-	-	-
were down	-	F.P.	100.8	304		Torotra		_	1574	-12	-	-	-	-
	ş	F.P.	-	507 33%		Tabas Walan			506 33			-	-	-
Mayflower	52	FP. F.P.	248	2%		Water Water		Mark C	31 2%		•		-	-
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TRADING VOLUME

ket, helping drive shares in uations had become detached from trading fundathe Anglo-Dutch oil giant mentals. It is quite impor-On Monday Texaco distant now to focus on quality

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FOR SUBMISSION OF OFFERS for the purchase of 25,100,000 common registered shares in DUTY FREE SHOPS S.A.

INVITATION

The Public Company for Transferable Securities S.A. (the "Seller"), a wholly-owned subsidiary of the Hellenic Republic, hereby invites, according to the Revolution of the board of the Athens Stock Exchange ("ASE") dated 19 February 1998, as amended, any interested party (the "Interested Party") to submit offers (the "Offers") for the cash purchase of 25,100,000 common registered shares (the "Shares") in Duty Free Shops S.A. (the "Company").

The Company

The Company operates 36 duty free outlets located at interested airports, ports and border stations in Greece. They mainly self eigenenes and tobacco products, alcoholic beverages, perfumes and cosmetics. The Company operates under the brand-name "Hellenic Duty Free Shops". In 1997, sales amounted to approximately GRD 50.4 billion, while pre-tax earnings for the same year reached about GRD 18 billion. Under Article 120 para. 4 of Law 2533/97 the Company has been granted the right to operate existing or future duty free shops in Greece for a period of fifty (50) years, commencing

The Company's share capital amounts to GRD 3.762.500,000 divided into 37.625,000 common registered shares. The Company was listed on the Athens Stock Exchange in March 1998 and the closing share price on 1 September 1998 was GRD 4,095.

Terms and Procedure

- Applicable Provisions: The procedure for the submission of the Offers and the transfer of the Shares will take place according to (a) the Resolution of the Board of the ASE on the "Procedure for Submission of Offers for Block Trades through the Stock Exchange" dated 19 February 1948, as amended ("the Resolution of the Board of the ASE"), and (b) this Invitation for Submission of Offers.
- The Offers must be submitted to the Board of the Athens Stock Exchange on 20 September 1998 from 14:00 to 15:00.
- The Offers should be made for the whole lot of the offered Shares, otherwise they will be rejected. Because of the nature and the conditions of this procedure this institution is addressed only to investors who act in the context of their professional/business activities and not to the The total value of the Shares must be paid in each upon execution of the Share Purchase Agreement and transfer of the Shares

Submission and Minimum Required Content of the Offers: The Offers must be submitted according to the Resolution of the Board of the ASE

- All ofters should be accompanied by a GRD 2,000,000,000 freeocable Participation Letter of Guarantee by a bank operating in the European Union, a draft of which any Interested Party may receive according to para. 7 of this Invitation.

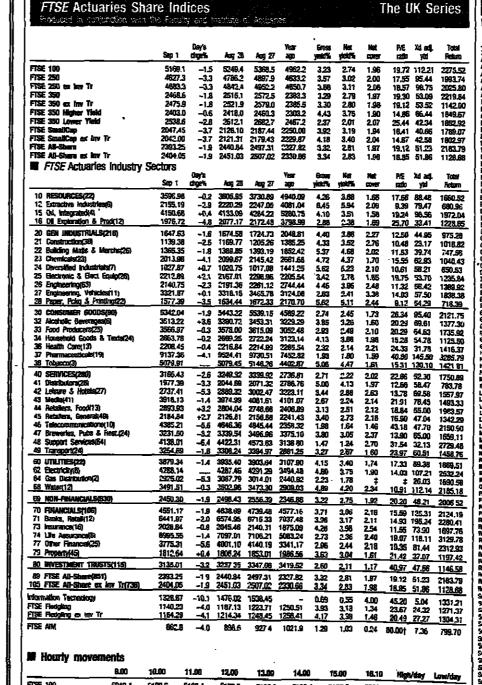
- Commitment of the Purchaser: By submitting an Offer, Interested Parties are considered to have explicitly and unconditionally assume d the obligation that employment relations between the Company and the personnel will continue to be governed by the legislation fun force and by the General Personnel Regulation - ratified by Joint Ministerial Decision 1598/20 5, 1496 (Government Gazette B 390) by the Ministers of the Interior. Public Administration and Decentralisation, of Finance and of Social Security - except for those provisions enacted as a consequence of the Company being part of the public sector which will no longer have effect once the Company ceases to be part thereof.
- By submitting an Offer, Interested Parties are also considered to have explicitly and unconditionally assumed the obligation to respect labour and social security cutilements of the personnel, as such entitlements are provided for in Personnel Bylaws, Collective Agreements, company practices, Presidential Decree 572/88 and individual employment contracts.
- Evaluation and Acceptance of the Offers Transfer of the Shares: The Seiler will evaluate the Offers and shall have the right, at its absolute discretion, to accept on to reject any 'Offer as provided for in the Resolution of the Board of the ASE. The acceptance of an Offer will be concluded upon notification (through a bashif or by confirmation of receipt) of the official written acceptance. This written acceptance will allow the Interested Party whose Offer was accepted a period of 30 working days within which to executive the relevant Share Purchase Agreement and effect the transaction. A relevant autouncement will be published according to the Resolution of the Board of the ASE.
- The transfer of the shares will be effected on the Athens Stock Exchange through a manual block transaction routside the automated exchange trade system) involving one or two brokerage firms according to the particular procedure that will be specified in the aforementioned announcement.
- Acceptance of Terms and Conditions by Interested Parties: By submitting an Offer, Interested Parties are considered to have explicitly and a. The Resolution of the Board of the ASE

- The draft Share Purchase Agreement, which is attached to the Information Package as an appendix and which is made available to Interested
- nent of the Seller: The Seller hereby states and declares that in addition to the shares on offer, it holds 4,900,000 common registered shares in the Company and that it has no other shares in the Company, or any voting rights, as such rights are defined in Article 7 of Presidential Decree 51/1902. The Seller undertakes, if an Offer is accepted, not to sell the 4,900,000 common registered shares: of the Company within six months of

For any communication or further information or receipt of documents the Sellers designate as their representative Mr Omiros Millas, Associate, NBG International Ltd., Old Change House, 128 Queen Victoria Street, London EC4V 4HR. United Kingdom, tel. +44 171 661-5656, fax +44 171 661-5657. In order to receive the Information Package. Interested Parties must deposit, between 3:00 am Athens time on 3 September 1998 and 2:00 pm Athens time on 7 September 1998, the amount of GRD 1:000,000 in bank account no. 104-508046-03 which is held in the name of National Bank for account of the Public Company for Transferable Securities S.A. (K.A.E.)" at the Sintnema Square (Athens) branch of the National Bank of Greece S.A. Interested Parties that have deposited the above amount and signed a confidentiality agreement will be given access to a Company data room, on terms to be communicated to them on 7 September 1998 and which will depend on the number of Interested Parties. Priority in accessing the data room will be determined by the timing of the above deposit as evidenced by the time and date stamp on the relevant deposit receipt. National Bank of Greece assumes no responsibility for system failure, or for any act or omission on the part of its employees which results in a delay in effecting said deposit by an Interested Party.

The Seller reserves the right to postpone and repeat the process at a later date, should the financial environment not be conducive to the sale or for any other reason the Seller, at its discretion, deems important

Athens, 2 September 1998



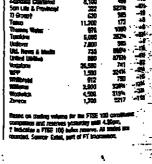
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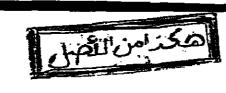
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Rodone Vodutone Shef TAT MFR Frutre BP Names & Sp ST Ligges TSB Soldne Bolon Cantrice Tesco 92 93 139 +45 +4.62 +4 +4.5 +51 +59 +43 +33 +65 +5 +15 Bayer Countrient Danir Barz Deut Barnt Deut Tilum OT Laftsan BASF Vebs. Hoechet Aug 21 1.44 Aug 19 1.32 31.03 Aug 28 1.84 Aug 26 1.33 30.83 Aug 14 1.75 Aug 12 1.34 30.57 -28.2 -27.3 -26.8 -25.0 -24.4 -24.2 Year ago 1.71 212 193 21% 17% 164 178 40万十十八年 -3 +15 -0.4 -1.7 Dow Jones Ind. Div. Yield 1040 -23 3 -21.8 -20.2 -20 -20 Year ago 24 25 26 27 28 31 1 Aug 1996 1179 180 51% 1 -3°: -50 -13 -1; 3340 21.1 1202 740 -12.1 -10.2 -8.2 -7.5 1.54 25.75 -460 -2.4 -108 -80 +4.42 -3.2 INDEX FUTURES Change Est wil Charge Est uni Open Int. Latest Sett Price Change High LOW Open int. 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Calai 508 2908.10 587.43 574.82 589.53 57102 18/6 63.20 35/6 m 8 Credit Aiden (s) 418.15 416.05 594.39 26/5 ATX Index 1148.94 1207.22 1210.63 1629.55 26/5 for tell 7.3 per cent to push broad market lower, 437.44 13/1 1146.94 1.9 279 SES #8-S'pore Strain Times 268.25 856.49 277-29 885.26 260.58 1/9 221.33 1/9 e flage section dises, Tallicon Stampart 19.8 per cent in class just ballow As 1 PO pates of Re2,050 1008,75 19/3 223 4275.93 4366.70 S471.81 21./4 4054.76 21 3121.78 3172.49 3226.54 3632.67 20/7 2357.78 107 1.74 20.2 113.52 11354 107.03 1/7 20 268.13 283.12 11/2 23 ſÆ 胃 337,A3 85 JSE AL Share JSE Gold JSE led. 4923.4 4966.3 783.6 749.2 5854.6 5918.8 4807.00 1/9 672.80 18/3 5706.98 1/9 6472.00 31/6 \$14.43 1336.49 21086.0 320.81 1338.87 21430.0 306.14· 1291.97 20549.0 254.94 2/1 1572.35 2/1 343.61 338.52 2531.23 2500.10 5591.80 5530,70 2399.00 2804.50 market in early knotky. 353.08 2626.21 5766.31 2929.37 426 8.7 338.52 31/8 2500.10 31/8 5530.70 31/8 TSE 100♦ 475.83 25/5 2 Basca Com Bai Mibiel General Ended lower overall, but gains stayed in decrease, daing 3.5 per cost, 4390.01 10/3 7822.30 22/4 17206.80 27 Cardio Jalano (el 7,9 per cast. 309.71 310.16 309.32 200.00 16/9 152 2804.5% 31/8 heat falls by 11 to 6 14369.83 14107.89 217.09 216.22 1110.15 1108.49 1199.90 1212.59 13915.63 212.26 1066.99 1218.84 1728434 2/3 257.43 10/2 1308.39 10/2 1401.27 12/2 13915.62 264 1.01 38.1 212.26 28/R 1998.99 28/R 1173,76 14/1 CSE All State CSE Mi Share 476.30 486.00 507.00 789.70 45 station stocks by mind investors depressed the market. 478.30 1/9 72 Mild swap up how early decine of 3.1 per cost, bouth talk all estant out dawn. Salara t temped 105 per cen Shanghai 8 Shanzhan B Irom domesti: Imed 27.42 27.13† 54.54 54.32† 27.41 58.58 10/2 54.49 98.97 10/2 2625 128 54.32 49.86 13/8 178.01 179.48 # 184.52 17/S 19454 301 2551/0 12/1 225 192 with market hemywelght klabo down 5 per cent. 44 902.40 909.44 1431.46 7/1 MLSE Comp. 262,70 1/9 52 302.91 8584.5 8679.4 6786.9 8412.00 21/7 4159.30 4216.71 4275.64 8237.39 20/7 lalaysia 19.5E Comp. Fundini aliar gunoament Amito. # 1.35 Ma 21.7 ced theign actionge controls and cuttle on foreign into 383.3 517.30 23/3 374,76 1/9 Hadir hat almost 4 per cent as stares puthed lower. 6335.00 T/9 1.63 CASA 875.25 866.57 21/1 ne wae a busy 7897b 637.39 655.36 653.81 Theiland Benglick SET 211.09 214.53 218.85 558.92 3/2 Touchind to fresh 71-year lows in Bylit harmoner of 8/1.2/lim. Bunks was the most active se r in heavy turnover. Banks came under pre 211.00 V9 exter and lost 3.3 per cent 552 345.4G 2/2 1218.4 1340.7 686.7 . 699.3 1244.0 1493.09 207 702.8 845.10 207 Calm SE Gan 257.86 351.92 (c) 393.19 21/4 CBS TAPAGEAN CBS AL Sax 599.29 12/1 MAKS NAS 100 2524.58 2635.14 2672.01 4639.90 16/7 Extent tower with Philips about about than 5 per cert. Finismi HEX General 4175.62 4318.5 Notice led shapes hower with a fall of 4.7 per cent. Foded statoly lawer, Salance Halding left 11.1 per cont. 4175.62 4318.91 4428.51 \$503.43 21/7 3229.43 12/1 2.32 New Zentand Cap. 40 1760.08 1827.58 1847.73 2260.02 20.5 Fell hack to reaction to Wall Shoot state. Briefley, Air MZ and forestry tendors fell sharply 1760.08 1/9 2827.23 2804.02 2901.65 7868.02 23/3 200 LES 288 Franco SSF 250 2340.88 2415.20 2369.85 2769.73 17/7 CAC 40 3840.29 3651.86† 3700.97 4500.48 1777 Ended a validite session Billo changed. 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DAY SEPTEMBER 1 140%

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STOCK

Bourses left reeling in Wall Street's wake

World Overview

It was the morning after the night before for world markets yesterday, and share controls sent shares down 13 prices staggered around with per cent. a hangover for most of the day, writes Philip Coggan.

The impact of Monday's Dow Jones Industrial Average on Wall Street, which wiped out all the gains US year, reverberated through-

Asian markets wobbled in which was helped by a stron-

from free financial markets. was the big exception; the announcement of capital

European houses fell heavily at the start but then spent much of the day reactlate 512-point decline in the ing to an extremely volatile Wall Street. Electronic trading of the S&P futures indicated a strong start and the investors had made this Dow duly gained 100 points in the first few minutes of

That rally quickly evapoearly trading but then recov- rated, turning into an 100ered, notably in Tokyo, point loss, before the Dow bounced again to be 100

have now fallen more than 20 per cent since mid-July, making the decline officially correction. But has the sell-off been overdone or can the last rites finally be read

for the long bull market?

Edmond Warner, the

global strategist at BT Alex Brown who has been bearish for some time, said the ratio between bond yields and the prospective earnings yield now made shares look fair being revised down, but this

Some European bourses looked as much as 25 per short term." cent overvalued."

Mr Warner added that yesterday was "probably the a hear market rather than a first day throughout the correction when you should be looking to buy the market. It doesn't necessarily mean that the correction is over, but if you're an institutional investor, you're never going to get all your money in at the bottom.

He said Europe was sufferearlier this year. "A lot of value. "There is the caveat the equity gains could yet be that earnings forecasts are unwound if people panic. While we like Europe in the

Asian country to move away European markets closed. a month ago, when equities Street will outperform in the 2.75 per cent and inflation George Hodgson, Euro- good combination."

pean strategist at ABN Amro, thought that "over the past 72 hours, the stock Benson, is less upbeat, "Wall markets have started to Street's fall is a belated realover-react. They have ignored the good news in the form of lower bond yields and commodity prices.

"What we may have seen," added Mr Hodgson, "is vigorous selling from aggressive investors, such as hedge ing from outperformance funds. As the dust settles, we may see the big institutions come in and exploit valuations that look much more reasonable. For Europe

AMSTERDAM closed off

the day's lows with the AEX

index down 18.39 at 1,068.24

in moderate turnover. The

Philips, hit by US-driven

selling, led the way down.

The shares fell Fl 7.30 to

Fl 122.10 for a two-day

decline of 8.9 per cent. DSM

came off F19.80 at F1165.40

Fl 42.90. Royal Dutch.

buoyed lately by mergar

KLM was a rare upside

feature adding 40 cents at

FI 68.40 and Hoogovens

again came in for support,

MADRID pared its mid-

gaining Fl 1.50 to Fl 76.20.

talk, shed Fl 1.90 to Fl 86.30.

low point was 1.039.71.

around 2 per cent, which is a

Ian Harwood, global economist at Dresdner Kleinwort isation that earnings growth is not going to live up to

European fundamentals look fine. But there is a risk of infection from the US. especially if US investors decide to repatriate funds to meet losses. And if the dollar becomes weak, that would be bad news for European corporate earnings. We still

the general index off a mod-

est 5.51 at 781.54. Telefónica,

which turned in solid six-month results, ended Pta40

lower at Pta5,690. The banks

had an especially volatile

Pta50 at Pta2,750 after trad-

ing between Pta2,815 and

to its lowest level since Feb-

ruary 1996 as domestic sell-

ing continued to depress the market. But a firming zloty

signalled that foreign inves-

tors had largely completed

their sell-off on the Russian

crisis. The Wig index closed

11 per cent early in the day,

rebounded strongly from its

lows to close 4.2 easier in a recovery led by banks and

other blue chips. The IMKB

ATHENS also managed a

recovery from its worst lev-

els to close 3.8 per cent down

but analysts cautioned there

uncertainty and volatility in

coming sessions. The general

index, down 7.1 per cent

early in the day, lost 82.9 or

Written and edited by Micha

Morgan, Jeffrey Brown, Peter Hall and Paul Gregan

8.8 per cent to 2,092.51.

National 100 index finished

110.58 weaker at 2,524.56.

and Buhrmann Fl 2.10 at was likely to be further

ISTANBUL, down almost

752.2 lower at 10.883.7.

WARSAW fell 6.5 per cent

Pta2.650 over the day.

ession. Santander ended off

Little rest for dizzy Bovespa

stock exchange hoped for some respite this week after days of dizzying swings, culminating last Thursday with a fall in the Bovespa index of almost 10 per cent.

They were quickly disabpointed on Monday when prices suffered a fall of more than 4 per cent, to produce a decline of almost 39 per cent in August, Yesterday the index opened firmer, up 68 to

The Brazilian market has been among the hardest hit by the Russian crisis. In Letin America its volatility has been beaten only by Venezuela, which has its own problems.

There are two main reasons. One is Brazil's liquidity. As one of the biggest emerging bourses, São Paulo offers the essiest point of escape for investors stung in other markets. The other is the perceived risk of a devaluation or other economic shock treatment.

Ministers insist there will be no change to monetary policy, which consists of a gradual reduction of interest rates and a crawling devaluation of the real. They also rule out a repeat of the measures introduced last Octo ber at the height of the Asian crisis, when base interest rates were doubled to 40 per cent a year and stiff cuts made in public spend-

ing to defend the currency. The government has also made much of the differences between Brazil and Russia, although the counin common. Brazil's budget deficit has reached 7 per cent of gross domestic product, and its current account

deficit is almost-as alarming. But Brazil has made many of the structural reforms needed to underpin stability, bringing inflation into single digits and pressing ahead with privatisation. Democratic institutions are also well established Nevertheless, stability con-

tinues to depend on foreign finance, and that is what

worries investors. strategist at Banco Icatu in Rio de Janeiro, sava Brazil must attract up to \$70hn a year to cover the current account deficit, pay international debts and finance

About \$9bn left Brazil in August on foreign exchange markets. The government says outflows have been covered by direct investment. particularly from privatisation, and foreign reserves are steady at about \$69bn.

"If they can't square the circle, they will have to react by raising interest rates, by devaluing the currency," Mr Figes says.

The chance of any drastic action is reduced before upcoming elections. But the threat of any move later on will keep investors from Brazil for as long as the Russian crisis continues.

"Investors are very neryous," says Mr Fiaes, "They are trying to reduce expomum. Nobody is trying to time the market and come in at the bottom because nobody thinks we're at the

Jonathan Wheatley

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Dow volatile as investors sift wreckage

Bargain-hunting was mixed with caution in morning trading on Wall Street as investors picked through the wreckage of Monday's severe shakeout, urites John Labate in New York.

The market opened with a burst of buying, sending the Dow Jones Industrial Average up more than 100 points before the sellers stepped in almost the same amount.

By early afternoon, howthe momentum remained positive in most sectors and the volume of trading was on track to hit a record by the closing bell.

investors focused mostly on large caps. The Dow was up 229.14 or 3 per cent to 7.768.21 while the Standard & Poor's 500 index had gained 29.43 to 986.71. The Nasdaq composite rose 50.85

But many traders expected stocks to revisit recent lows after a stormy start. By the before stabilising. "Typically this bottoming-out process involves a raily followed by a test," said Greg Smith, chief market strategist at

With Monday's market collanse sending the main indices 19 to 25 per cent below recent highs, several prominent stock analysts, including Mr Smith, recommended that investors should lower bullion lifted golds. Among their exposures in bonds and leading producers, Barrick raise their exposures to equi-

higher. Treasuries lost C\$13.70.

eeks of gains. Among Dow components.

Walt Disney climbed \$25 or more than 10 per cent to \$30%. Bosing, which announced a share buyback programme late on Monday, gained \$2% or 7 per cent to \$33%. PaineWebber raised the stock to an "attractive"

Chrysler proved another strong performer, up \$3% to to send the market down by \$48%, a rise of more than 8 per cent. Retailing shares were also in favour. Borders gained 14 per cent to \$21# and Dayton Hudson almost 16 per cent or \$5% to \$41%. Investors seemed to be

rethinking their strategies with internet shares. Most were up on the day, but some of the sector's higherflying names were left behind. Amazon.com plunged another 8 per cent to \$76% and America Online fell \$% to \$81%.

TORONTO moved higher noon count the 300 composite index was up 65.39 at 5,596.10 following good demand for some selected industrials.

Northern Telecom rose C\$2.75 to C\$78 and BCE gained 90 cents to C\$51.50. Alcan Aluminium added C\$1.35 at C\$30.90 while Seagram advanced by a similar amount to C\$50.35.

Another solid opening for rose 55 cents to C\$20.90 and Placer Dome jumped 9 per As US shares pushed cent, adding C\$1.25 at ini was the major casualty, Ebner's BZ Bank might

Frankfurt recovers big losses

Shares in FRANKFURT closed higher after a volatile session in which the Xetra Dax index picked up from a low of 4,647.88 to end 44.62 better at a day's high of

In motor stocks, Volkswagen closed DM10.30 higher at DM135 after the company forecast an 11 per cent rise sales. BMW, by contrast, tumbled DM79. to DM1,225 hurt by a stronger D-Mark.

Banks but in a mostly better showing on the view that they were oversold on Russian worries. Commerzbank put on DM2 to DM52.20 and Deutsche Bank rose DM4.60 to DM113.35.

HypoVereinsbank put on DM2.50 to DM137 as the merger of Hypo Bank and Vereinsbank was officially

	% Char
H eisirki	3.3
Stockholm	3.0
Milan	2.6
Amsterdem	
Zurich	1.4
Madrid	
Paris	
Frankfurt	

completed, creating Germany's second largest bank. MOSCOW closed flat, moving just off record lows in minimal volume as the economic crisis continued. The RTS index edged 0.05 higher to 65.66, unimpressed by the arrival of President Bill Clin-

ton in Moscow. PARIS ended little SFr241. changed after a volatile, high-volume session. The CAC 40 index, which sank to Re 3,516.25 at one stage, closed only 5.56 lower at 3,646.29 in volume of 25.4m shares.

Software leader Cap Gemfalling 7.2 per cent or FFr67

in the local press that the nplace among banks. time was right to start buy-BNP came off FFr12.50 at ing industrials.

Foods, retailers and utilities were among the more ket. Eridania Beghin rose FFr84 or 7.7 per cent to FFr1.180. France Telecom gained FFr28.50 to FFr457. Appliance group SEB tum-

bled FFr96 or 15.6 per cent to FFr519 after issuing a disappointing results statement. Its sector rival Moulinex came off FFr5 to FFr112 in sympathy. ZURICH was cushioned from the full effects of the pull-back by the hefty losses

index lost 94.9 to 6.584.5 extending to almost 22 per cent the market's decline from its July 21 peak. Banking shares continued lower on worries about expo-sure in Russia, with UBS down SFr9 at SFr458 and CS

it had already posted in

recent sessions. The SMI

Group falling SFr12.50 to Zurich Insurance rose SFr10 to SFr900, but Swiss

SFr3.160.

SFr27 to SFr1,712, prompting speculation that Martin again be buying the stock. to FFr863. Financials stayed Mr Ebner declined to comweak. Axa-UAP shed FFr34 ment on the rumours to FFr646 while falls of more although he did confirm than 3 per cent were com-statements attributed to him

First six months 1998 Sharp profit increase for the first six

months 1998: +74% to U.S.\$1.9 billion

- Acquisitions and special factors contributed substantially to this net profit increase.
- Interim dividend determined at U.S.\$0.64: +30%.

(in millions of dollars, except for amounts per share)	first six months 1997 published	first six membs 1997 adjusted*	first six months 1998	% change
Result before taxarion: **** - insurance operations - banking operations Net profit	683	801	1,233	54.0**
	684	734	1,192	62.3**
	953	1,084	1,885	73.8**
Net profit per codinary share	1.25		7.84	62.7
Interior dividend per codinary share	0.49		9.64	30.0
	31 December 1997 published	31 December 1997 adjusted*	30 June 1998	
Total assets**** Shareholders' equity*****	304,419	304,416	446,853	46.8°°
	22,629	23,715	31,833	34.2°°

U.S.\$1.00 = NLG 2,03814 (average exchar U.S.\$1.00 = NLG 2,03800 (exchange rate

Net profit increased sharply by 74% to U.S.\$1.9 billion. Acquisitions as well as profits from the partial sale of the interest in Libertel (mobile telephone network) and the sale of the participation in Kredietbank (Belgium) contributed substantially to this increase.

A Excellent net profit contributions from the recently acquired operations Bank Brussels Lambert (BBL) (U.S.\$262 million), Equitable of Iowa (U.S.\$44 million) and Furman

Good profit contribution from the worldwide insurance operations as well as the domestic banking operations; substantially lower profit contribution from corporate and investment banking in emerging markets.

hi The item Value adjustments to receivables of the banking operations amounted to U.S.\$289 million, excluding the general provision of U.S.\$196 million made in the first three months of 1998 in connection with the consequences of the financial crisis in Asia.

The following provisions were made: U.S.\$25 million for the euro and the millennium. U.S.\$20 million for reorganisations and U.S.\$25 million for the risk of low interest rates. It is expected that the provisions made until now for the euro/millennium for a total amount of approximately-U.S.\$196 million will be sufficient.

Assets under management increased by 42.1% to U.S.\$235 billion.



Internet: www.inggroup.com The report for the first three months 1998 can be obtained at the following address: ING Group, P.O. Box 810, 1000 AV Amsterdam, The Netherlands. Telephone: (+31) 20 541 54 71, fax: (+31) 20 541 54 51, e-mail: order@inggroup.com

Buenos Aires races up Shares in BUENOS AIRES steam later in the day as the

session, invigorated by renewed strength in US

The Merval index was 11.87 or 3.3 per cent better at 370,36, having posted a loss exception to the better tone of almost 40 per cent in SANTIAGO climbed 1.7

per cent at midsession. Analysts had expected the low trade on Monday. early strength on bargainthat the recovery was trag-address by President Ernesto tle, and could run out of Zedillo.

raced higher around mid- economic and political turmoil in Russia once again soured the mood. The IPSA index was 1.07 higher at

with the IBC index registercent at 2,827.33, having

MEXICO CITY was closed hunting, but they cautioned for the state-of-the-nation

CARACAS proved to be an ing a fall of 76.69 or 2.6 per closed broadly flat in shal-

Jo'burg rallies but ends lower

SOUTH AFRICA

Johannesburg clawed its way back from early lows on short-covering by futures operators and as Wall Street looked set for a rebound. But the overall index still fin-ished with a loss of 116.4 or 2.4 per cent at 4,807.0 as industrials dropped 147.7 or 2.5 per cent to 5.708.9

per cent since April, taking the market back to levels last seen at the all-race elections in 1994 when many feared the country faced

Golds continued to draw

support from bullion's continuing bounce off last week's 19-year lows. The gold index picked up 27,3 or Analysts noted the overall 3.5 per cent to end at 810.9.

Kuala Lumpur plummets 13%

ASIA PACIFIC

News of draconian capital controls sent KUALA LUMPUR crashing 13.3 per cent to a 10-year low, with the composite index ending off 40.21 at 262.70 after a session low of 261.33. Brokers said the controls

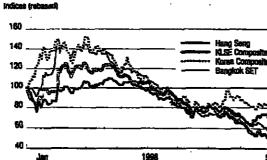
had created extreme investor confusion. A comment by the prime minister that investors, local and foreign, would be locked in for 12 months, added to the uncer-Among blue chips, Tenaga

Nasional fell 10 cents to M\$2.06 and Telekom Malaysia M\$1.06 to M\$4.34. TOKYO brushed off initial concerns about the collapse in the Russian and US mar-

THE DAY'S CHA	NOES
	% Change
Kuala Lumpur	-13.3
Jakarta	
Singapore	-3.9
Wedington	
Talpei	
Hong Kong	.20

kets, reversing big losses in early trading to push higher writes Alexandra Harney in

The Nikkei 225 Average



gained 261.74 to 14,369.63 in but NEC lost Y10 to Y1,031. moderate trading after fluctuating between 13,664.74 and 14.389.83.

The Topix index of all first-sector stocks improved Banks were active, Sakura Bank was the most heavily traded share, rising Y26 to Y274 on talk of 3,000 job cuts under restructuring plans.

and the Bank of Tokyo-Mitsubishi Y22 to Y1,020. Exporters, especially car companies and electronics iba, the electronics giant, improved Y14 to Y521. Nis-

Fuii Bank gained Y5 to Y405.

ing record first-half earn-

slid 65 to finish at 15,298. WELLINGTON was one of the weaker regional markets with the 40 capital index closing off 67.48 at 1,760.08. Volume was said to be minimal. Fletcher Paper fell 13 cents to NZ\$1.12.

Air New Zealand's globally traded B shares gave up 18 cents at NZ\$1.73, NZ Telcom lost 17 cents at NZ\$7.63. SINGAPORE fell 33.10 to

tal controls in Malaysia sparking heavy selling. Bro-kers said the combination of the overnight shakeout on Wall St and Malaysia's actions had been "lethal" mostly tracks Malaysian shares, tumbled 8.2 per cent. JAKARTA sank 4.8 per cent to a five-year low which took the composite index down 16.58 to 325.85. Index heavyweight Telkom

to Rp2,025 on 18.6m shares TAIPEI fell 215.02 to 6.335.09 on the weighted per cent lower, having run up losses of almost 6 per cent early in the session. Compal Electronics fell T\$6.50 to T\$102.50 and

was among the biggest los-

ers, off Rp325 or 13.8 per cent

HONG KONG ended 2.9 per cent lower after a choppy session that also saw the index move briefly into positive territory on short-

The Hang Seng index lost 212.57 to 7.062.47 in turnover that shrank to HK\$6.2bn. suggesting the government san Motor gained Y6 to Y382, index with the news of capi-ing.

Honda Motor lost Y110 at Y4,750 in spite of announc-

ings.
In Osaka, the OSE index Taiwan Semiconductor T\$2.50 to T\$59.00.

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Logistics The supply chain Millennium 'bomb' could cause havoc Pages 4-10



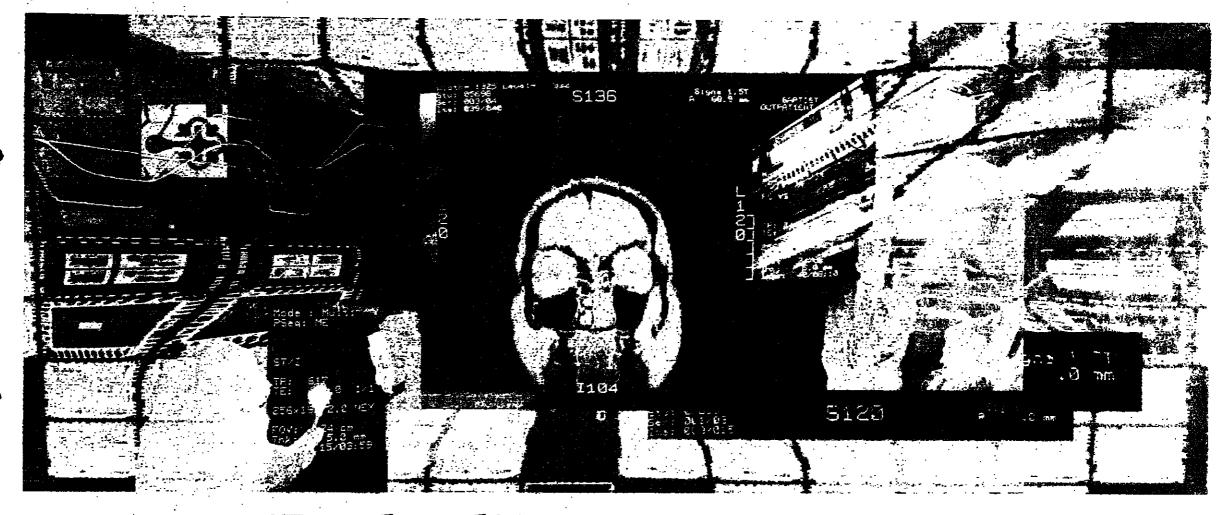
Maximising sales **Software solutions** Campaign managers sharpen up their act Pages 12-15



Hand-held computers Powerful paimtops A growing demand for specialist applications Pages 16-19

Information Technology

Wednesday September 2 1998



hen product cycles were measured in years rather than months and competition was mostly confined to local geographies, companies could afford to take a relatively relaxed approach towards research and development

But times have changed. As Alan Wood, chief executive of Siemens' UK-based operations, noted recently: "Microelectronics and software are determining the speed of innovation more than ever.

"Product life-cycles have become shorter and shorter, in some of our businesses, they have been reduced to half a year. More than 70 per cent of the products and systems Siemens currently sells worldwide are less than five years old."

What this means, in turn, is that at least 70 per cent of what the company sells at present will have to be replaced, refreshed or invented in the next five years if it is to remain competitive, he says. "A key to maintaining and improving our competitiveness will be successfully managed innovation programmes.

Today, for most companies, particularly those in the fast-expanding information technology sector, maintaining or increasing R&D expenditure while improving the efficiency of the process is now a vital ingredient if a competitive edge is to be maintained.

"We regard high value-added lintellectual property] contribution as the key to profitable growth," says John Taylor, director of Hewlett-Packard's European research centre in Bristol.

As a result, R&D is increasingly a key indicator of the health and vitality of an organisation – a fact reflected in the worldwide surge of investment in industrial research last year, led by US-based companies.

For leading IT companies, it's research or die

As the pace of global competition quickens, well-managed research and development is the key to the future of the world's top IT companies. The flow of new technology into the marketplace is critical to their success, reports Paul Taylor

According to the UK Department of Trade and Industry's annual International R&D Scoreboard, the world's top 300 companies spent £131bn (\$216bn) on R&D last year, 12.8 per cent more than in 1996, while 133 US companies in the scoreboard raised total spending by 17 per cent to £59bn

(\$97bn). Both increases were the largest recorded since the department began compiling the scoreboard in 1991. Within Europe, Swedish companies stood out, with an aggregate 26 per

cent growth in R&D investment. As Carol Galley, co-head of Merrill Lynch Mercury Asset Management in the UK noted recently: "More than ever, companies in which we invest find themselves in competition with domestic and international companies which have a competitive edge, either in terms of the cost of labour or the cost of capital.

To succeed against these competitors, companies need superior products or processes, she says. Hence, a successful R&D process is not optional, but crucial to a successful

business strategy.
Philip Crawford, managing director of Oracle's UK operations, agrees. "If you don't do R&D, you die," he says. Mr Crawford argues that business

software companies such as Oracle have to spend 10 to 20 per cent of revenues on R&D if they are to survive. "R&D expenditure is the lifeblood of a

software company," he says. As with other software companies, Oracle is expanding its links with academic institutions and broadening its R&D base geographically. As part of this trend, the group is expected to soon announce additional investment in the Cambridge Oracle Research Laboratory, lifting its current 50 per

cent stake. Other companies - including Cadence, the West Coast-based software tools and chip design group, and Microsoft, the world's largest software group - have also recently announced R&D investments in the

These investments extend the global research networks being built by the main IT multinationals which increasingly embrace development centres in India and Europe, as well as California's Silicon Valley. "You need to spread the load outside of Silicon

Valley," says Mr Crawford, At the same time, big IT companies are using research and development to reinvent themselves. Kevin Gibson, the new managing director of SAP's UK-based operations, notes: "We see

R&D as critical. You must continue to reinvent and recreate the product. It is

High-tech startups naturally boast

a continuous innovation cycle."

some of the highest levels of R&D in percentage terms and, to some extent, as a company grows it is inevitable that the percentage of revenues devoted to R&D will decline somewhat. But despite its rapid growth, SAP

still spends about 17 per cent of its revenues on research and development. "Some aspects of our business are now maturing, but other parts are still in start-up mode," says Mr Gibson. "We are a paradox, to some extent." Maintaining high levels of R&D spending is clearly easier when a

growing evidence that it is also a vital constituent of any turnaround For example, Bob Finocchio, who took over as chief executive at Informix, the database software group,

business is growing, but there is

a year ago, insisted that despite the company's serious problems, R&D spending be maintained. "It isn't enough just to get your products out of the door," he says. "You have to invest in the future."

Among the the group's 3,500-strong workforce, 1,000 are involved in R&D.

Far from reducing research spending

as part of the restructuring, he says:

"We have actually increased our

spending on R&D." Similarly, when Lou Gerstner took over at International Business Machines five years ago, one of his first visits was to the IT goliath's TJ Watson Research Center which, together with IBM's other research labs, is responsible for keeping IBM at the top

of the patents' award league. Even though IBM was haemorrhaging money at that stage, Mr Gerstner told the anxious IBM researchers that the R&D budget would

be maintained. "Well-managed R&D is the solution. rather than the problem," says Paul Horn, head of IBM's \$5bn-a-year research programme. "The commitment to R&D comes right from

Mr Gerstner's interest in IBM's research programme – which includes huge investments in areas such as ease-of-use and integrated IT solutions - is to ensure that the group has the technology and systems required for the next generation of products and

services, says Mr Horn. "The technology engine will keep chugging along and if we do not do it, someone else will," adds Mr Horn who has put in place a highly sophisticated system for managing the group's investment in R&D and ensuring that it delivers real value.

One aspect that is critical for success is the flow of new technology into the marketplace, he says. In part, this has been achieved by reoganising the funding of R&D and ensuring that it is closely tied to business objectives.

At Siemens, Mr Wood says the management of innovation has two basic dimensions: "Corporate innovation teams at the heart of the organisation focusing on our core business areas. And a global innovation network aimed at maximising the talent experience and expertise available in our operations

around the world." As part of this effort, the group has set up centres of competence with responsibility for design, development and manufacturing of designated

products or systems around the world. Whether it is a centre for Internet solutions in the US, or a centre for advanced software development in India, the aim is to make the most of our intellectual capital," he adds. Echoing this emphasis, Carol Galley

of Merrill Lynch notes: "Our key message is that companies should ensure that their investment in R&D creates value. In other words, the expected return from the investment should be greater than the cost of capital appropriate for the company

To achieve this, the investment must be coherent with the overall strategy of the firm and be efficiently managed. And in our view, the level of achievement should be measured by the amount of shareholder value created, and not the amount of money

Ms Galley cites Ericsson, the Swedish telecoms equipment

Turn to the back page of this review

There are lots of ways for your business to enter the Internet



This is the door the builders put in

The promise of networked commerce. Stronger customer relationships.

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To find out more, visit our website at www.cisco.com. And let a Cisco Powered Network service provider CISCO SYSTEMS open up the Internet for your business.

Year 2000 crisis looms

behind.

developing countries.

gramme had fallen behind.

possible systems problems.

weeks - left before the new the areas most at risk. It also millenium, it is increasingly clear that there is a real risk of disasters resulting from nuclear industry, especially the so-called millenium com-

Neither governmental nor commercial organisations around the world have taken seriously enough the threat of systems failure caused by the date change on comput-

Although the validity of the warnings is gradually being recognised, it may be too late to take effective action to ensure that critical systems are reliable.

A report by the G8 group of leading industrial nations stated that even its own members were late in preparing for the date change and that other nations around the world were lagging behind them.

Outside G8, governments have under-estimated the task and their assurances about being ready are probably not reliable, said the report. It referred to parts of eastern Europe, south Asia.

expressed strong concern about the state of the in eastern Europe.

The United Nations has asked all member-states to ensure that their infrastructures are year 2000-compatible by July 1999. A study of 15,000 compa-

> A survey of 15,000 companies

reveals a high level of unprepardness

nies in 87 countries by researchers at the Gartner Group found a high level of unpreparedness. The group said 23 per cent of the world's companies - 80 per cent of these small ones had not yet *begun* to amend

their software. as high risk, or as being greatly to waiting lists. supply chain: see page 4

failure, with healthcare that customers may make among the slowest to huge withdrawals of cash respond. Western Europe before the end of 1999 lagged six months behind the US, it said, with Gerbecause of a fear that cash dispensers will fail. many a year behind and Many of the UK's largest

many countries in eastern Europe, the Middle, East record in their annual Asia, Africa and South reports what they are doing America even further to tackle the problem, despite instructions from the The World IT and Services Stock Exchange and the Accounting Standards Alliance is holding a global year 2000 summit in London

A survey by Edinburghon October 15 and 16. The World Bank and the IMF are based Company Reporting found that a third of busiholding a seminar in Washington on October 5 to nesses which had reported debate the challenge facing since April had not given any details of their spending The UK's Public Accounts or manpower devoted to the Committee warned that hos- task or stated who had manpital patients could die agement responsibility for because the National Health the issue.

The UK water industry Service's year 2000 proregulator Ofwat is checking The NHS Federation, made on the progress of water supup of health service experts, ply companies in achieving year 2000 compliance after has advised the government the government's Action to order the suspension of non-emergency operations in 2000 committee said the December 1999 because of industry was falling behind.

Most industries were rated even though it would add Fears of disruptions in the

SOFTWARE ACTION

SAP in \$500m US lawsuit

SAP, the German business SAP said the accusation applications company, has been hit by a \$500m lawsuit facts". But the news of Foxfrom a US company which ware contributed to its col-

The case has been brought by FoxMeyer, a drugs dis- has since been adopted by a tributor which went into large numbers of companies bankruptcy in 1996. It is worldwide and has turned suing SAP claiming that the SAP into the world's largest software was a "significant factor" in its demise.

In July, FoxMeyer launched another \$500m law- one of the early enthusiasts suit against Andersen Con- for SAP's software, recomsulting, which helped to instal the software.

have rejected the charges. and implementation work.

"bore no relation to the Meyer's lawsuit against SAP caused a sharp drop in SAP's share price.

FoxMeyer was using an early version of R/3, which business applications ven-

Andersen Consulting was mending it strongly to clients and doing much of the Both SAP and Andersen management consultancy

invest millions in a system that failed to deliver.

company's sales, distribution, order processing and stock control systems. Fox-Meyer claimed that SAP treated it like "its own research and development guinea pig", using the project to assess the "severity of R/3's volume problems."

FoxMeyer was subsequently acquired by its competitor, McKesson.

FoxMeyer alleged that has yet faced in its extraordi-SAP's "fraudulent and negli- nary rise to global leadergent conduct" induced it to ship of the business applications sector.

Last year, SAP, a leader in It was intended to run the a market that has seen astonishing growth, was the subject of an inquiry into insider share trading in Germany, which created some unfavourable publicity. However, the present case could affect SAP's reputation much more fundamentally. It recently listed its shares on the New York stock mar-

The case represents the Focus on the software marbiggest potential set-back ket for enterprise resource that the German company planning systems: page 9



Taking control of huge amounts of data in order to back up information is, to say the least, an enormous task. It takes time. Costs money. And places critical business operations on hold. This is no

It lets you back up and

longer the case with EMC Enterprise Storage solutions. Our software includes EMC Data Managers, a centralised system designed to handle the back-up and restore needs of the largest enterprises. EMC Data Manager* now allows the fastest non-disruptive

restore information no matter

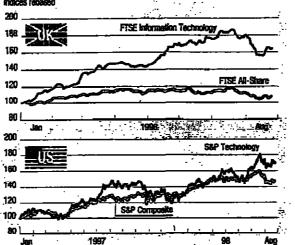
back-up of your database, as well as information generated from other critical applications - all without suspending on-line operations. ETAP also supports NT direct connect back-up, making it the most complete back-up solution available. To learn

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RESEARCH DIGEST . By George Black

Euro software is on the way

outside experts than by their

in-house IT departments.

Frost & Sullivan believes

that outsourcing will spread

into cultures up to now

resistant to it, such as Ger-

many. By 2004 the largest

parts of the market will con-

sist of network management

(18 per cent) and process

management (17 per cent), it

Electronic commerce will

be one of the principal

engines of economic growth

over the next ten years, fore-

casts Datamonitor, the Lon-

don-based market research

Spending on e-commerce

software will grow at an

average annual rate of 41 per

cent over the next four years

to \$285m. But more must be

inventory databases, cus-

tomer records and Web pub-

merce to the full, says the

Phenomenal growth in the

Internet services industry is

forecast in a new report by

Frost & Sullivan. As compa-

nies begin to incorporate the

Interpet as part of their tele-

in Europe – now worth

Three-quarters of students

Seven out of ten said that

negative image and more than half said they were

clever, but lacked social

skills. A quarter of those who rejected the idea of a career in IT considered the

Women were more likely

to turn down a career in IT

than men - 86 per cent said

they would not consider the

idea, compared to 69 per cent

business too technical.

Students reject IT

by the year 2004.

An e-commerce

boom ahead

firm.

All the leading accounting sourcing deals, users feel software vendors will have that their IT problems are shipped products which can more likely to be solved by handle conversion to the euro, the new European currency, by the official triangulation method before the end of this year, says Basda, the UK Business and Accounting Software Develoers Association.

Basda recommends users to upgrade their software this year to deal with triangulation, but to continue to run their systems in local currency-until later in the three-year transition.

Java makes progress

UK users are increasing their commitment to the Java language, according to a study by Bloor Research. Although not many large Java-based projects have yet been completed, users say they intend to increase their use of the language in the

next couple of years. However, the research found that users are still invested in software for sceptical about the concept that Java will produce a standard which will enable lishing to exploit e-comthem to write programs once only and be able to run it on research. any computer.

Tools market takeovers predicted

> The market for software com needs and the number tools for configuration man- of subscribers in the conagement has grown at over sumer market increases, the 40 per cent a year for the market for internet services past five years and represents a significant area for \$9.9bn - will rise to \$51.7bn acquisitions by the top computer companies – so says Ovum, the London market research firm.

Software tools are needed to support ever-larger teams have not even considered a of software developers in difjob in IT, according to a surferent places working to vey by Apex Computer tighter deadlines on complex projects with many changes being made to programs. computer specialists had a

Outsourcing 'to double in six years'

The European IT outsourcing market is set to double in the next six years, says the US market research firm, Frost & Sullivan.

In spite of the bad press that surrounds many out-

RECRUITMENT The IT skills shortage is increasing

systems projects for projects. conversion to the euro curlargely to a worsening shortage of information technol-

ogy skills. Salaries for IT jobs in 6 per cent per quarter, according to recruitment ures which indicate that pay years. rates across the economy are

rising by 4 per cent a year. The UK government's Department of Trade and Industry has commissioned surveys of how firms are

account the availability of cluded. staff when forming their IT strategy decisions.

Many are using bonus their key IT staff to cope the monthly FT-IT Review. projects and to reduce fastemployees caused by staff for IT users and suppliers

Most schemes offer bonuses to be paid in mid-2000, when many managers assume the skills shortage

will have been relieved by date problem plus new the completion of conversion

British-American Finanrency are contributing cial Services, which includes Allied Dunbar and Eagle Star, recently offered a 100 per cent loyalty bonus to the 300 IT staff in its life assur-Britain are rising by around ance businesses to be paid immediately, with a proviso which allows it to retrieve agency. Computer Futures. the money from staff who This compares to official fig- opt to leave within three

According to a survey of UK IT professionals by the recruitment consultants, DP Connect, "the shortages are likely to continue indefinitely". The pace of technocoping with the skills short- logical change meant that the problem would not go Companies are increas- away when those projects ingly having to take into were completed, it con-

□ The IT skills shortage will be one of the key topics schemes to try to retain in the November 4 issue of with the year 2000 and suro The main theme will be Tacing up to the euro' rising turnover among examing the implications

> ☐ Details of further FT-IT Reviews this year, can be found on page 19 of this

alike.

MONTHLY NEWS SUMMARY An 'unbreakable' encryption system

IBM and the Swiss Federal Institute of Technology claim to have made a breakthrough in developing the first unbreakable encryption system to protect computer data. The technique, called the Cramer-Shoup cryptosystem, was launched at the Crypto 98 conference in the US and will be incorporated by IBM into future security software products. IBM says it will provide a boost for confidence in commercial dealings on the Internet.

Dell takes number two spot

Dell Computer has overtaken IBM to become the world's second largest personal computer vendor after Compaq, according to research by Dataquest and International Data Corporation.

In the second quarter Deli reported turnover up 54 per cent to \$4.3bn and profit up from \$214m last year to \$346m this year. Dell increased its profit margin from 22.2 per cent last year to 22.7 per cent this year, while competitors are struggling to maintain margins. Analysts attributed this to Dell's build-to-order business model which enabled it to tak advantage of rapidly falling component prices. See report,

Intel launches new chips

Intel launched new Pentium 11 and Celeron chips which are expected to lead to lower prices for personal computers at both the top and bottom ends of the market. The industry eader is facing tougher competition from AMD and Cyrix. Intel's 64-bit Merced chip has been delayed until mid-2000 and could be delayed further still by development problems, according to analysts, intel reported a 29 per cent fall in second quarter earnings and said it expected sales to be fiz or slightly up in the current quarter. On top of these problems, the company faces an anti-trust case brought by the Federal Trade Commission, scheduled for January 5.

EDS group wins London contract

A consortium led by the US oustsourcing company, EDS, has won a £1.4bn order to instal the world's largest-yet smartcard ticketing system for London Transport. The system will cover the London underground railway and bus network. Users will be able to pre-load the cards with money at sales terminals in various places.

The system, to be installed by EDS, Cubic Corporation. ICL and W.S.Atkins under the UK government's Private Finance Initiative scheme, is intended to reduce fraud. The cards could also be used for other applications, possibly doubling as electronic purses.

Sun and Lucent messaging pact

Sun Microsystems and Lucent Technologies (formerly part of AT&T) are working together to develop a single messaging system for users to be able to collect email, voicemail and

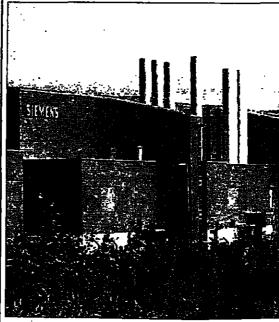
Internet Mail Server and Lucent's text to speech conversion system inherited from AT&T's Bell Labs and the voicemail system acquired with the takeover of Octel.

The venture involves Sun's Solaris operating system and

Sun and Lucent hope to sell the product from early next year to telecommunications operators and Internet service providers who will sell services based on it to end-users.

Baan chairman resigns

Jan Baan, founder of the Dutch applications software company of that name, stepped down from the chairmanship of the company after questions were raised in the US about its accounting practices. Analysts had complained that it was hard to distinguish the company's finances from those of Vanenburg Ventures, the venture capital business run by Baan. Chief executive and company president Tom Tinsley has taken over as chairman.



ans launched a global marketing campaign last month to try and sell its £1.2bn plant in Tyneside

Siemens to sell UK plant

emens, the German electronics company is seeking to sell its UK chip plant which it closed during the summer. The plant cost £1.2bn but was closed with the loss of 1,100 jobs because of failing chip prices worldwide.

The company has approached other chip producers including Motorola, Fujitsu and Samsung, but so far without success. All the equipment is due to be removed from the plant by the end of January. Siemens received £44m in aid from the UK government for building the plant less than two years ago and has offered to re-pay the grant.

Novell launches Netware 5

Novell this week launches Netware 5, its network operating stem and a principal competitor to Microsoft's Windows NT and the Unix operating system.

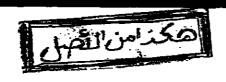
Analysts at International Data Corporation said that letware 5 stood a good chance of being successful in the narket as Netware had a loyal following which was keenly awaiting its improved directory services. Windows NT has gained market share over Netware, but version 5 of NT does not yet have a launch date, so Novell may have a chance to re-gain the initiative before NT5 appears.

Strategic software partnership

In what is described as a breakthrough agreement in the race to defuse the so-called millennium "bomb", Novelli a leading provider of network software, and Greenwich Meen Time (GMT), the diagnostic and corrective software supplied have announced their intention to bundle their products

This move represents the first leading network software manufacturer to incorporate GMT's year 2000 technology in assisting customers to tackle the year 2000 problems on networked PCs. Novell NetWare has 80m users worldwide GMT's product is the Check 2000 Client Server toolset.

> George Black's e-mail address: gbg26@dial_pipex.com





AGNITHLY NEWS SUMMARY In 'unbreakable' Incryption system

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EDS group wins London contract

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Sun and Lucent messaging pad

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Baan chairman resigns

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FINANCIAL TIMES WEDNESDAY SEPTEMBER 2 1998

VIEW FROM THE TOP 3 3 1 1 1

this technology as a tool for the

of products and ideas."

global design and implementation

CSC's newly-created Chemical.

SAP specialists to support DuPont

sector. Dupont of the US and BASF

of Germany are the world's two

officer, has said that Dupont aims

faster-growing and less cyclical group of businesses. The company

is planning to float its oil business,

The whole concept of Dupont's

strategic services unit is meant to

deliver worldwide answers that can

be implemented quickly. DuPont is

The independence of the SBUs

has created an unwieldy legacy

here, with five different e-mail

and future customers in this

largest chemical companies. Charles Holliday, DuPont's

to transform itself into a

sciences area.

chairman and chief executive

Conoco, in the autumn and is

seeking acquisitions in the life

also faced with upgrading its

collaborative IT systems.

user-groups, each able to

communicate and share the

internal company Internet

technology, known as intranets.

repository of information, while

Notes is used for one-to-one

meetings."

communication or to conduct

the architecture and standards

agreed by Mr Ridout's team of

mini-CIOs and implemented by

replacing the five e-mail systems

that had developed over 10 years, a

majority of the mini-ClOs voted for

CSC and Andersen. After

agreement was reached on

Oil and Gas Group will draw on 400



The FT Review of Information Technology

This review is published on the first Wednesday of the month. In addition, FT-IT features appear in the 'Inside Track' section of the FT on each of the other Wednesdays of the month. The IT Appointments section is also published each Wednesday.

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Subscription service: full details appear on page 15 of this review.

Financial Times iber Oze, Southwark Bridge,

remarkable achievement for any organisation. DoPont, the \$45bn US chemicals, energy and life sciences group, halved its spending on IT by a spectacular \$650m between 1990 and 1995. But for Bob Ridout, chief information officer (CIO) at DuPont, this was not enough.

When we were spending \$1.2bn on IT we felt we weren't getting the value of that sum. So we started cutting costs and got down to \$850m. But then we found that what we had was a 'one size fits all' solution. By 1995, we didn't have the choices we wanted, but

we were lean."

DuPont moved ahead, courtesy of a spectacular \$4bn outsourcing deal involving an alliance with CSC and Andersen Consulting. CSC took responsibility for DuPont's global IT infrastructure, including 60,000 desktop PCs. Andersen was given the task of managing and enhancing DuPont's work across the board, from the manufacturing plant to the customer-service relationship

The structure that the CSC/ Andersen team will manage was created by aligning DuPont's IT operations with the company's own global structure. Strategic Business Units, or SBUs, are the primary way DuPont operates.

We have a mini-CIO in every SBU," says Mr Ridout. Fresh from a 7am global conference call with these executives, Mr Ridout says he has no qualms about devolving authority. "That's the main point of my job. I work through them a tremendous amount."

Mr Ridout has used the deployment of CSC and Andersen to offload some aspects of the IT issue while DuPont concentrates on matters closer to its corporate heart. Since 1997, the company has divested a printing unit, sold to Agfa, while acquiring a UK-based titanium dioxide business, known as "Tioxide" in DuPont's world. from ICL This Tioxide business was, in turn, integrated into **DuPont's White Pigments Business** Unit, with a polyester business being simultaneously married into two other SBUs.

Within this complex re-organisation, there was no space for worrying about IT issues. Mr Ridout was not concerned about the apparent relegation of his business discipline. "It was the first time that I can remember when we had a situation like this and IT was not on the critical path. This was because CSC was handling all the questions of access to IT systems within the revised

strategic business units." The outsourcing of DuPont's IT

utting the IT bill in half is a Bob Ridout, chief information officer of Dupont, the \$45bn US conglomerate, was able to make big IT cost-cuts and still enhance the business. He talks here to Michael Dempsey

Dupont's IT chief knows 'how to follow the dollars'



Ridout: cutting IT costs in half was not enough

past, I would have had to make some difficult choices when confronting the re-organisation of these SBUs."

For him, such choices can obscure other pressing issues. "If I had been sucked into the details of IT in these SBUs I might have been forced to put year 2000 computer-compliance work on the backburner," he says.

For Mr Ridout, the looming question of the year 2000 computer date problem - the so-called "millennium bomb" or Y2K issue information officer or IT director

DuPont is being converged and expanded around the Lotus Notes

should ignore. "This issue is a real attention-grabber for the CIO. I don't think there's any CIO who's not worried about the Year 2000."

Freed from unwelcome distractions by his outsourced support, Mr Ridout has other big questions on his mind: "We're thinking of creating a strategic services unit that would include IT in its remit."

This move has been prompted in part by DuPont's widespread adoption of manufacturing software from Germany's SAP. early 1980s and we now look upon

operate around the world. Then we told CSC and Andersen what it

While these technologies are under review, Mr Ridout has to wrestle with the question of staff recruitment and retention. Under the outsourcing deal, 500 DuPont staff moved to Andersen and 2,600 came under the roof of CSC. leaving 1,100 IT personnel within DuPont.

The boom in demand for programmers as businesses try to grapple with the fall-out from the "millennium bomb" is inflating IT salaries and threatening to create a global shortage of the right skills. DuPont is ready to respond with an approach to personnel management which Mr Ridout

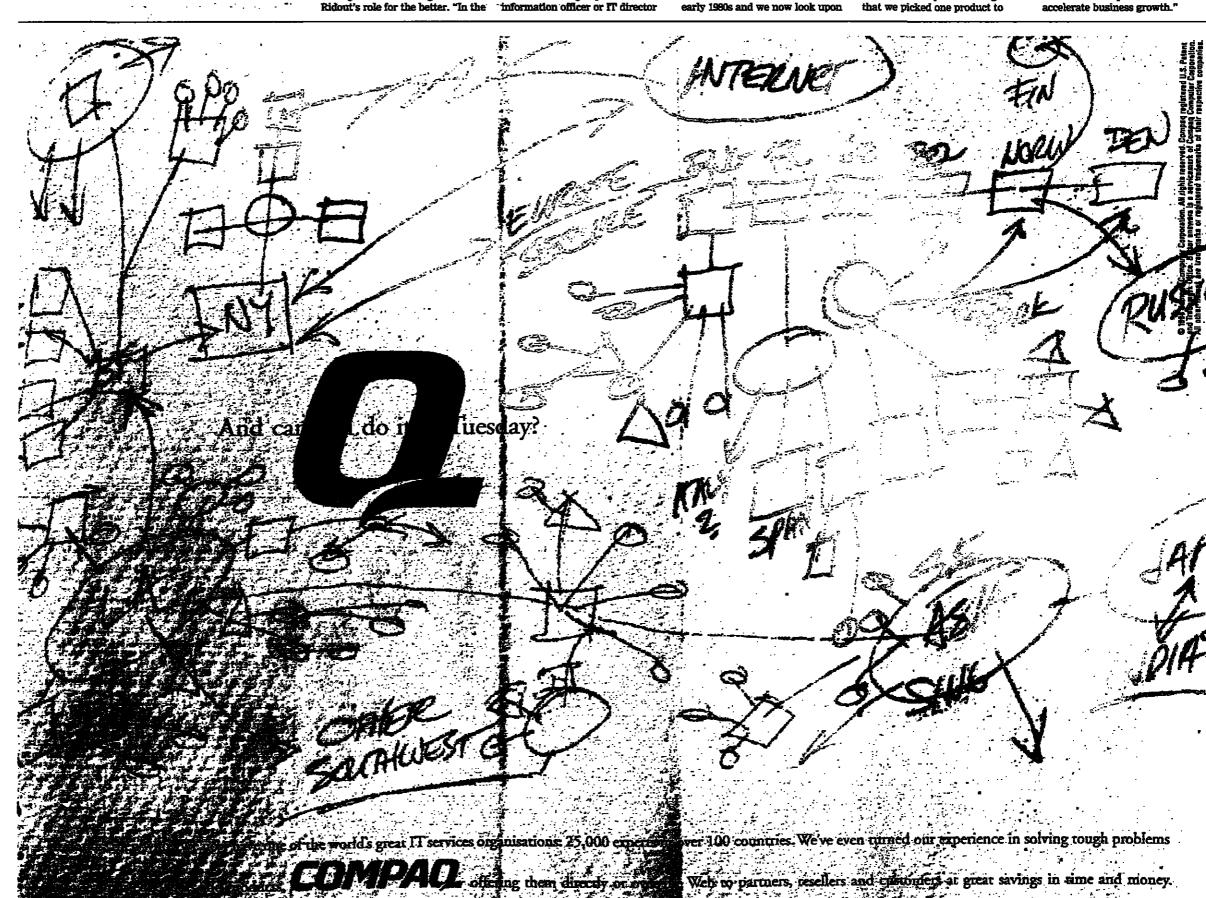
calls "succession planning". He says: "We need IT people who really understand our business and our market. We are looking at market-based compensation for IT staff, retaining them by treating them as part of the chemical industry. It's crucial to find what I call 'bridge people' - those who understand both the technology and its power to make a contribution . . . these people can actually suggest strategies for the business as a whole."

Mr Ridout enjoys a good relationship with his chief executive officer that many IT executives must envy, since Mr Halliday, DuPont's chairman and chief executive, is an enthusiast for technology. "He came to the job from a posting in Asia where he used IT personally to eliminate the challenges of time zones and distance. I have constant e-mail conversations with Chad Halliday and he's interested in the issues around IT industry suppliers."

systems in operation across the world. The e-mail option within This political empathy at the highest level within DuPont is a boon to Mr Ridout. During the battle to halve IT expenditure, he Notes creates a constellation of could rely on backing from his chairman. "He would go to IT meetings, too. Putting regional contents of their computer screens. data centres together was easier He emphasises that the decision to for some people than others. Turf go with Notes is not a rejection of wars were the real big issue - he understood that situation."

Understanding the nature of "We are also setting up an intranet each company's business has - but it will act as something of a become a "cliché requirement" for IT suppliers, but Mr Ridout concludes that the CIO with a future really must know "how to follow the dollars". He points out Notes will be embedded within that DuPont's relentless growth requires management staff who can match each line of supply to that strategy.

"We've moved into biotechnology, for instance . . . so now we are looking for IT people who 'know' biotechnology and IT in the DuPont sense, so both these dements are exploited to accelerate business growth."



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Supply chains are feeling the strain

The emerging concept of a totally-integrated supply chain is bringing great changes in the way many companies operate, reports Philip Manchester

he introduction of the ply chain are changing fast. new European currency plus the prospect of disruptions due to the form of the Internet, the so-called millennium computer "bomb" are just two of the pressing logistical challenges facing many areas of industry and commerce - already wrestling to find IT resources needed for the introduction of supply chain management and enterprise resource plan-

As this survey shows, the advent of the euro will have a profound impact on supply chains in Europe which have evolved to serve mainly down, prices will converge rapidly across the eurozone, bringing new demands on overhaul their fragmented supply and distribution

There is also much uncersupply chains of the year 2000 millennium "bomb" ~ While most larger companies are taking action, many of their smaller outside suppliers and service-providers have yet to even begin with the result that the total supply chain could be badly hit, as businesses large and small suffer losses. (see detailed reports below and on the facing page).

Meanwhile, scarce IT resources in many busistretched as companies costs. attempt to implement software systems for supply chain management and in order to maintain compet-

itself to automation. Since in the grand scheme. the early days of IT, tasks such as order processing. despatch, delivery and invoicing have been among the first processes that companies put on a computer.

Electronic commerce and open public networking, in work. One result is that the

"In the last 25 years, we have seen a fundamental shift from production-centred activity to customer-

established applications

which cope with distribution

tasks are also being forced to

"This has accelerated product life cycles, time to market and the customisation level of products. Inevitably, this has a huge impact national markets. But as on distribution," says Ken currency barriers come Sharma, vice president of US logistics software company, i2 Technologies.

The main change is that retailers and forcing them to distribution is now only one part of the supply chain or what is now referred to as 'value chain". The IT applications that handle distributainty over the impact on tion, therefore, are increasingly being called upon to communicate with other outside world. The webbased tracking systems used by Fedex and UPS are examples of how one aspect of distribution has been changed significantly by the Internet. Both Fedex and UPS have

Web sites where customers can use a simple desktop browser to find out where their package is and when it is scheduled for delivery. This both improves cusnesses are being further tomer information and cuts

The emerging concept of a totally-integrated supply chain - from raw material enterprise resource planning producer through to end-customer - promises even further change. This will have a Distribution of goods and buge impact on distribution services has always lent applications and their place

> Distribution applications have, of course, always had links to order processing. manufacturing and stock

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ent suppliers' databases and enhanced by warehouse management. They all have a direct impact on distribution and the IT applications which support it.

"We are moving to a world where companies no longer compete with each other but supply chains do. This



Logistics

Here and on the following five pages, FT writers highlight ways in which information technology can improve the supply

responsive and adaptable systems to support a multienterprise supply chain, says Mr Sharma.

He argues that organisations need tools to help with decision-support in what is becoming an increasingly complex business environment, "Real time decisionsupport tools are the key to success in the new environment - as indeed are closer relationships between companies in the supply chain." The trend towards partner-

ships among companies is now widely seen as one of the pre-requisites for success in many areas of business. "There is tremendous pres-

ufacturing data could be systems to support them. spread across several differ. But they also need to seek deeper relationships with stock control is being both suppliers and customers and to increase their market share," notes Julian David, IBM's director of distribution industry marketing in Europe, Middle East and

> It is no longer enough for a company to improve its internal systems, he says. "It has to look at the whole picture and the way distribution systems impact all of the participants from raw material suppliers through to the customer. Organisations that have done this are seeing the benefits - consider Tesco supermarkets in the UK, for example. Its policy of excellence in the supply chain has brought tremendous penefits." Extending systems beyond

company boundaries in this way is of course, aided by Internet technology in the form of internal company Intranets and the so-called extranet - where applications span multiple enter-

"The great advantage of the Internet is that it is a universal standard and it reduces costs dramatically. This allows organisations to set up extended distribution networks through franchise stores - but with the advantages that size usually brings. Even the small tomato grower out in the country can plug into the e-commerce platform with a standard PC and find out what is going on," says Mr

He points out that costsavings are "very real" especially when it comes to processing transactions.

"Studies we have done show that processing costs are much lower. An air ticket, for example, costs \$8 to process. With electronic processing, it falls to around \$1. The same cost savings could apply to logistics and distribution

"The European Commission estimates, for example, that 30 per cent of vehicle movements are of empty vehicles. If you can bring ers together in a single eleccontrol applications. But in sure on companies to collab- tronic community, they can the age of electronic com- orate. They are looking for use a single management But the nature of distribu-merce, order data may well new areas for sales growth and forecasting approach tion and its part in the sup- come from a web page, man- and want more responsive and make productive use of



industry, California. But long before the goods get this far, IT systems have a crucial role in the

IBM is working on a number of initiatives aimed at exploiting the Internet infrastructure and products such as Lotus's Domino server to

Unsurprisingly, so is Microsoft, the world's largest software company. It is promoting cross-enterprise collaboration with its Value aims to bring participants

together in what it calls "global value chain".

Although one of the main aims is, of course, to promote Microsoft products as Chain Initiative (VCI), which the core of electronic commerce applications, it is also

an important step towards creating a standard infrastructure for cross enterprise logistics and distribution.

We see VCI as a way to make electronic commerce happen. The goal is to enable business information to be shared dynamically between trading partners. It is being driven by large organisations' need to build links with those they do business with," explains John Noakes, e-commerce business manager at Microsoft UK. VCI, he adds, is being supported "by some very large and important names" including Boeing, Coca-Cola. Walmart and General Motors.

In addition, more than a hundred software companies are building VCI support into their products.

Inevitably, Microsoft will meet with some resistance from competitors and only time will tell whether VCI becomes the dominant underlying model for electronic commerce. But one thing is certain: distribution and logistics applications will never be seen as isolated again; they will, in future, form part of a coherent supply chain management appli-

☐ Supply chain manage-ment and the value chain initiative: see facing page. in Enterprise resource plan ning and "just-in-time" scheduling software: page 6. ☐ The impact of the euro: benefits of data warehous ing: page 8.

MANUFACTURING SECTOR . By toia Shillingford

Factories in a race to beat the clock

Meticulous testing is needed to root out embedded computer chips that may not be year 2000-compliant, but time is running out

efusing the millen- Drives, which is a leading nium bomb is a supplier of programmable colossal task for many larger manufacturers. Not only do they have a vast array of machinery, some of it containing date-sensitive. It has decided to make its embedded chips, they also equipment compliant with have control systems to run it. On top of that, they have tute's year 2000 standard. business IT systems along with everyone else in the testing of all its products

Moreover, they are often part of a complex supply and distribution chain. And they may have to check that the products they are making

are year 2000-compliant. Given the scale of the task. it is perhaps not surprising sector is uneven. Kimball don-based consultancy. Pagoda, says: "In general, the largest manufacturers are well prepared, but medium-sized and small manufacturers are lagging behind."

Worst-case scenario

which don't sort out the problem is that their factories could be closed for up to several weeks in 2000 as they wait for replacement parts to arrive." says Gillian Ferraro. IT director for a leading UK

Worse still, says Mark Napier, director of the Computers in Manufacturing show, "an error in a critical cause injury to staff - perhans because of overheating if a pressure valve is not released early enough, or due to problems with chemical processes. Or a software flaw could prevent a machine from being serviced

Ian Bowman, year 2000 manager at the German company, Siemens Automation and Drives, says: "Most of dle-sized manufacturers, the machines have some with say, 100 programmable kind of chip in them and in the computers that run them. These are hard to find because industrial computers are built into rugged boxes. The advantage is they can withstand being bumped or kicked, but it is a lot of work to take them apart and see what's inside.'

Some industrial systems even have a real-time Pentium-based computer inside the manufacturer cannot that managers can see what is happening on the production line. Real-time systems tend to have a date function and very often only a twodigit field for storing the date. This is likely to cause problems in the year 2000, when the system may assume that 00 is 1900. rather than 2000.

controllers and drives in Europe, is having to go through a process very simithe British Standards Insti-

and of any software they use. Mr Bowman says he has a 140-page document full of test data with about 20 products per page.

"To get BSI year 2000 certipiece of equipment or software to January 1, 2000. Or to the six or so other dates Bailey, a consultant at Lon- that need to be tested - for example, 9/9/1999," says Mr Bowman. "The test guidelines indicate the sort of result we should get.
"If the product fails, we

have to work out what to do to put it right. It might need a software patch, a flash bios upgrade, or the date might have to be set manually in

"The last thing we need," says Mr Bowman, "is a valve at a customer's plant opening at the wrong time, or out of sequence, or a motor switching on when it shouldn't. If a valve at a customer site opened and deposited a lot of toxins in a river. that would be a major problem for us, too."

However, by no means all Siemens Automation and Drives products are date-sensitive. In one product group, about 50 per cent of products have no date code: In another group - motors about 90 per cent do not use a time or date.

Larger manufacturers are up to speed on dealing with the millennium bomb, he adds. "Our own year 2000 plans get audited by them. But there are plenty of midcontrollers and several hundred computers, which are hoping it will go away.

But the problem will not go away, because these businesses will eventually be questioned by companies higher up the food chain'. he says.

"These will threaten to

withdraw their business if and visualisation software so prove it will still be able to operate in the year 2000," Meanwhile, the onus is on the big manufacturers to share information with the smaller ones which often

have limited resources, he

Likely cost

Tackling the year 2000 problem can be expensive.

The Millermium Bomb - 69 weeks away



Unilever, which does an extensive range of manufacturing, will spend £300m fixing year 2000 problems. Ferraro expects to spend about one per cent of turnover - a fication, our German test typical figure for year 2000 manufacturers. Pagoda cuscentre sets the date on a compliance in Europe, according to stockbrokers Merrill Lynch.

The problem is not that a lot of equipment will fail. "By the time you've looked at everything and eliminated systems that don't use the real-time clock," says Mr Bowman, "you could well be down to two per cent of systems that are affected.

"It's the lengthy process find those two per cent that uses up resources.

check that customers will systems and be able to pay on time, and that suppliers are year 2000 compliant.

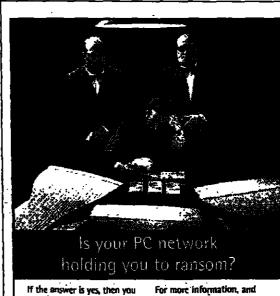
their suppliers' level of year the plant is shut."

2000 compliance "could hoard stocks causing a shortage of parts."

Even replacing old IT be problematic for some tomer Ms Ferraro is taking the path less-travelled of fixsystems, rather than replacing them with an off-the-

shelf package. "If we hadn't started as early as we did," she says, ."we would not have had the luxury of making this choice. We're glad we did because some colleagues in the industry are struggling you have to go through to to get bought-in packages

adapted in time." Ms Ferarro warns: "If Time is also needed to you're a manufacturer starting to address the year have fixed their accounts 2000 problem now, you prob-systems and be able to pay ably won't be able to finish in time. Companies which operate 24 hours a day could Ms Ferraro says that man-find there just aren't enough ufacturers worried about days left for testing when

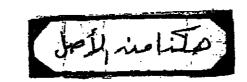


are invited to see now a Thin Client / Server system can free you from the tyranny of the upgrade-and-reptace cycle. NetSoft Solutions and Llowe's Insurance Services are holding a launch event for Microsoft Mindows/NTIr) Terminal Server Edition on the 24th September

at the 'Uoya's Building. NetSoft will provide an overview and demonstration of this technology.

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Route for accurate forecasting

week, for example.

Software tools help companies improve their product planning, cut lead times and speed up the management of orders

Arks with the barriers with th industry thanks to the combusinesses to streamline their supply chains and reduce lead times. Compared to the enter-

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prise resource planning it's the same for high-tech (FAP) industry, the SCM market is fairly small with 1996 revenues of just over \$400m (£242m), according to the market research company, AMR. However, the market is growing fast -\$1.6bn for 2000 - as more businesses discover that the limited planning capabilities in their ERP systems, from vendors such as SAP or Baan, cannot cope with today's fast-moving business environment

Companies are instead turning to the sophisticated analytic capabilities of SCM products from vendors such as i2 Technologies or Manugistics. They believe these tools can give them a competitive advantage by improving product planning, reducing lead times and speeding up order manage-

The computer industry is a big fan of SCM as it has allowed manufacturers to cope with shorter product cycles and trends such as "build to order" while minimising the risk of having unsold PCs in

ing and distribution division has reduced its overall inventories by more than \$100m in two years and its global planning cycle time from 28 to 14 days.

turing sector while Manugisties has concentrated more on the consumer goods by beating its rival to a big 2000 for the year 1900)

upply chain manage- Finnish telecoms equipment ment (SCM) has maker. According to Mary-become one of the hot- Lou Fox, senior vice presitest segments of the software dent at Manugistics, the supply chain challenges in the petitive pressures driving electronics and consumer goods sectors are not that different. "In the consumer area, a lot of the costs are in finished goods inventory and

> "If the distribution chain gets overloaded with obsolete PCs, they send them

industries.

ERP and SCM are often confused but the two disci-AMR predicts revenues of plines are distinct. ERP systems are designed primarily to run a business transactions across functions such as finance, order management and manufac- new supply chain business.

SCM systems, by contrast. analyse this information and allow managers to do forecasts and "what if" planning factory were to close for a ing Berclain, a Canadian

comes into its own when a and now claims to be third manufacturer has several largest SCM vendor. product lines competing for limited production capacity. SCM sales will reach at least old," says Roger Taylor.

launched, others are in growth phase with demand growing strong, while still more products are nearing maturity or in decline. Traditionally, the ERP and

SCM vendors have seen their products as complementary and competition has been avoided. However, the ERP vendors are now trying to expand into SCM and this potentially threatens the impressive 50 to 100 per cent annual growth rates enjoyed by the SCM vendors.

Before SCM was a niche market but increasingly customers are saying their ERP system does not allow them more efficiently by tracking to make realistic plans," says Wayne Webb, European general manager for Baan's

"The ERP vendors have

realised that customers

demand this extra function-Baan entered the SCM - analysing the effect if a market last year by acquir-

According to Ms Fox, SCM expanded its SCM portfolio Mr Webb predicts Baan's

> compared with just \$18m in SAP, Baan's traditional and bigger rival, has also joined the fray with an ini-

Optimisation, Planning and Execution (Scope). SAP calls Scope "the most significant development initiative undertaken since the development of R/3," its flag-

ship ERP software.

tiative called Supply Chain

The products that result from SAP's Scope initiative are being developed around database technology from fellow German company Software AG.

Analysts do not see Scope challenging the products of has led i2 Technologies to established SCM vendors until 1999 at the earliest. "It takes time to develop a customer-base for SCM," says George Gilbert, an analyst with the securities firm, Deutsche Morgan Grenfell. Rivals. not surprisingly,

Scope initiative. "They are playing catchup with a small part of our Rhythm product that is already five years Some products may be just \$40m in the current year. European director of midmarket solutions at i2 Tech-

> "ERP vendors will bring out supply chain capabilities that will be very generic and not industry-specific," says Ms Fox of Manugistics.

If SAP does deliver on its promise then Scope could open the SCM market to smaller companies that cannot afford the million dollar price-tag of stand-alone SCM products such as i2's

"SAP could commoditise

the low end," says Mr Gil-bert. This is because ERP vendors could include a supply chain module within an overall ERP licence for little additional cost. This threat target smaller customers with a factory planning package that, while lacking the features of the Rhythm software, sells at a much cheaper price - around \$250,000. "It is the first serious attempt to offer a fixed-



n supply chains break down, the cost in human lives can be catast dries himself in the sun after getting his daily wash from his mother, in Panthao, in Sudan's famine-striken Bahr El Ghazal province. Due to logistical and political conflicts, the amount of aid reaching southern Sudan is not enough to turn the tide of familie, which kills hundreds daily

nies," claims Mr Taylor. The growing competition

in the SCM industry has not gone unnoticed on Wall slashed the sky-high ratings enjoyed by the sector. The blame, claim analysts, lay with Manugistics and Logil-

tion for mid-sized compa- which both reported quar- admits Mr Taylor of 12terly losses, while i2 presented an uncharacteristi- rating was long overdue cally cautious trading forecast, blaming slow sales Street which recently on competition from ERP the roof - and he believes vendors.

the market and that extends strong as ever.

price factory planning solu- ity, a smaller SCM vendor, the sales cycle for all of us," Mr Gilbert believes the re-"valuations have dropped back after climbing through the medium-term growth "SAP has introduced prospects for the SCM indusanother potential player in try as a whole remain as

THE BUSINESS WORLD: IMPACT OF THE YEAR 2000 PROBLEM . By Geoffrey Wheelwright

the global economy is a web of interconnected markets - Procrastination will be very costly when one catches a bad

As large companies race to solve their year 2000 problems, their suppliers could cause havoc in the supply chain

along with them.

Using i2's Rhythm product, Compaq's manufactur-

12 has traditionally domicontract from Nokia, the

cold, they all sneeze. This point has been driven home forcefully in the wake of the financial crisis in many Asian countries when nations as far away as Canada. New Zealand and Australia suffer The same is true of

he global economy is a web

corporations. When demand for new housing slumps in Japan, for example, orders for the Canadian lumber used to build many new homes also declines. And that, in turn, hits the Canadian economy. And it could get far worse. Computer experts are warning that the whole Asian crisis could

be a "walk in the park" compared nated SCM in the manufac- to the prospects facing many businesses in the face of the so-called "millennium bomb" computer problem (which means industry. Recently, however, that older computer systems and Manugistics scored a coup software will mistake the Year As current problems in Asia

have demonstrated, businesses the world over are so dependent on one another that if a given region of the world fails to act quickly enough to solve its year 2000 problems, it could have a knock-on effect for many others. The same is true at the supply

chain level. If a corporation ensures that it is completely year 2000-compliant internally - yet its many outside suppliers, distributors and customers are not - then it could end up being just as badly bitten by the computer "bug" as if it had done nothing. Take the case of the large vehicle manufacturer who finds out in 1998 that all of its

internal systems are systems are

year 2000-compliant, but that a

complex problem is already

beginning to unfold at car

dealerships all over the world. The problem is compounded by the fact the computer systems in place at its car dealerships are starting to tell consumers that their three-year warranties have run out. The time left on the warranty date is calculated by taking the date when the warranty runs out in 2001 and

subtracting the current date from

When 2001 is read mistakenly by the computer system as "01" (because it is only capable of handling the last two digits of the date), it then subtracts "98" (the last two digits of 1998) and comes up with a negative number. As this number is less than zero, the computer then generates a has expired.

Gary Gray, a computer consultant at US-based Information Technology Resources, recently explained at a user conference held by the software giant, Computer Associates, that even large corporations such as the car

maker, Isuzu, faced this problem.

When Isuzu initially talked to his company about the problem in 1996, year 2000 solutions were a "hard sell" because the Y2K issue - as it is often called - had not then received as much publicity in Japan as in North America. But when reports of problems started coming in from US dealerships, he said that Isuzu quickly became keen on a year 2000 solution.

There are hundreds of other examples where this kind of problem came from - and they all

point to the fact that ensuring supply chain compliance will be absolutely crucial in helping companies survive the problem. According to a recent survey by

the computer services and business consultancy company. Cap Gemini America, however, there are lots of companies that are still nowhere near being ready. A new survey shows that America's largest corporations are confronting significant obstacles as they accelerate efforts to address the Y2K computer challenge.

The survey interviewed IT managers at 128 of the nation's most successful firms. Six out of seven Fortune 500 firms have now launched a "full-fledged strategy" to deal with year 2000 issues big challenges still loom. In

US companies taking action on year 2000 problems has increased from 20 per cent to 86 per cent in seven months. And the same proportion - 86 per cent - say they have detailed year 2000 plans in place, up from 33 per cent in December 1997.

Amid this burst of activity, however. Cap Gemini suggests that growing numbers of big corporations are under-estimating costs, falling behind schedule, and experiencing year 2000-related breakdowns. "Corporate America is finally dealing head-on with the year 2000 challenge," says Jim Woodward, senior vice president of Cap Gemini and head of its Trans-millennium Services group.

Turn to next page

BUSINESS-TO-BUSINESS TRADING . By Geoffrey Naim

Early optimism could eventually evaporate

The business-to-business industry could remain fragmented in dozens of incompatible trading systems .

and there is now growing interest in extending efficiency gains throughout the value chain by using the Internet to link business partners and streamline

Web-based procurement is poised to radically change the distribution of value within supply chains. Some observers see the Internet rapidly reducing barriers to entry in many markets and turning high-margin goods into low-margin commodi-

Nicholas Negroponte, internet guru and founder of the Massachusetts Institute of Technology's MediaLab, believes electronic commerce could lead to the disappearance of distributors and middlemen through a process called "disintermediation", in which the internet allows the middle links in the supply chain to be bypassed.

Art Mesher, research director at the Gartner Group, says disintermediation does poise a threat to inefficient extended supply chains but he disagrees with the commoditisation thesis. Properly applied the Internet can be used to protect profit margins by improving supply chain processes and strengthening trading partner relationships," he says.
The problem is knowing

how to start. Companies hoping to begin business-tobusines. (B2B) trading over the Internet discover there is a plethora of different approaches: web-enabled versions of traditional EDI networks; online auctions and bulletin boards; and mainstream e-commerce software products from vendors such as IBM or Microsoft expanded to handle

i insom

business transactions. For companies that have standardised on an Enterprise Resource Planning (ERP) technology to run their business processes. linking suppliers and cus-

nterprise software has helped revolutionise businesses internally tomers into their existing ERP systems might seem a logical way to optimise their

extended supply chain. But the likes of Baan and SAP have been surprisingly slow to develop B2B products and analysts caution they have little experience in electronic commerce as their expertise lies primarily in automating internal corporate processes.

Nevertheless, the ERP industry is keen to move into this promising market and in June, SAP announced a Business-to-Business Procurement (BBP) product that aims to delivers the best of both worlds in business procurement.



Nicholas Negroponte, IT guru, could lead to the dissippearance of distributors and middle through a process called

BBP cuts down the time and money wasted on sourcing non-critical products. particular non-critical items repair and operations (MRO), by allowing end-users to purchase goods and services directly from their desktops.

tains the benefits of central-

strategic purchasing launched a pre-packaged cat-operations. "Customers can alogue to make online proachieve successful supplier curement easier. This lists management rather than juggling haphazard supplier relationships," says Peter Zencke, SAP executive board member.

The system is based on SAP's flagship R/3 ERP product and combines workflow techniques with a Web-based interface that handles the entire requisition-to-payment cycle from a single screen.

According to the company, BBP can be implemented in just weeks, saving at least 20 per cent in time and cost over stand-alone solutions. However, the product will not be shipping to customers until the end of this year.

The effectiveness of purchase decisions depends on having a sufficiently ample range of products and vendors from which to choose. Using the Internet, a corporate buyer can potentially tap a greater pool of suppliers but the technology needs to be kept simple and trans-A small company is as pencils or cleaning fluids.

unlikely to have the time or imposed by its various cussupports three different approaches to business trading: a catalogue can be hosted internally on a corporate intranet: the system can connect to an independent in an attempt to build sup-"content aggregator" which in essence creates a virtual marketplace where supplier meets customer, or the system can link directly into a ing vendors. VCI aims to cre-

heart of most B2B systems and SAP's system can access a wide range of catalogues from vendors such as Harhinger and Commerce One, two leaders in this field. Harbinger, for example, has needed for maintenance, developed TrustedLink Procurement, a Web-based electronic purchasing application which enables casual or expert buyers to order supplies online from a catalogue At the same time, the purof company approved venchasing department main-

5m items from more than 5,000 suppliers of MRO, IT capital equipment and office supplies. MRO is an obvious target for electronic trading because existing paper-based and inefficient

"Large companies find it hard to handle the buying of non-production items and it can be as costly to process an order for a box of paperclips as it is for a \$10m part," says Zenkat Mohan, marketing vice president at GE Information Services

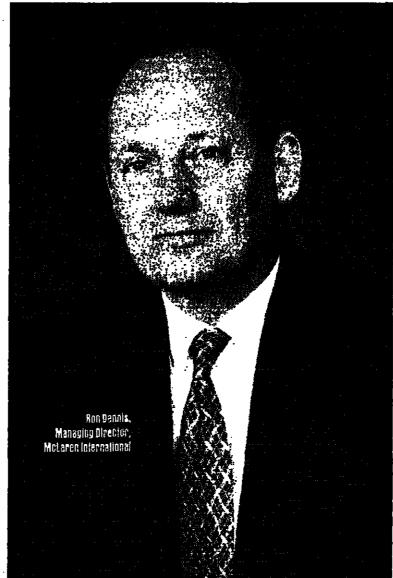
The company's TPNPost and TPNRegister trading systems have delivered dramatic savings on the sourcing of production and MRO goods within the companies that make up General Electric group. Procurement industries and analysts say while one approach may be suited to a particular sector. such as fashion goods, it may be hopelessly ill-suited to sourcing MRO items, such

This is one of the big probresources to deal with a lems for B2B commerce. The plethora of incompatible needs of individual trading electronic trading systems communities are often very different and so it is difficult tomers. SAP's BBP system to build the critical mass of support behind a particular trading system.

Some early attempts to build online trading communities failed for this reason. port, Microsoft last year launched its Value Chain Initiative (VCI), which now has more than 130 participatsupplier's web-based cata- ate integrated, end-to-end real-time online transaction Catalogues are at the support for supply-chain

> But Microsoft's is just one of many initiatives, some backed by IT companies while others, such as the Open Buying on the Internet (OBI) Consortium, driven by the buying requirements of large customers. Analysts fear that if the B2B industry remains fragmented in dozens of incompatible trading systems, then B2B commerce is unlikely to live up to its

Software Winner.



tezos in Formula One history. Since 1966, Micharen has wor seven Constructor's World Charmsi nships, nine Driver's World Championships and more than 100 Grands Proc. Not to mention three indianancis 500 wins, the LeMans 24 hour endurance race and five consecutive Can-Am sports car titles.



"To win consistently, you have to have the best. That's why we've teamed up with Computer Associales," says Ron Dennis, Managing Director for McLaren International "Processing our engine and race data efficiently and intelligently is crucial and CA is helping us approach it in an entirely new manner Under a technology partnership

One Team and CA are developing an innovative new solution that gives the racing team's enumeers the ability to easily assess and analyze the Formula car's performance data. Built around CA's Unicenter

the West McLaren Mercedes Formula

TNG", the program can monitor the leternetry data that the race car transmits to the pits while it's racing. Everything from throttle response to brake pressure to even the G-forces exerterion a driver TNG then displays the data through its award-Wursing 3-D. Real World Interface -

"I have a tavorite saying, that is, to come in second is to be the first of the losers." says Ron Dennis. "At McLaren we're interested only In winning and we associate ourselves only with whrang companies. With Comouter Associates and McLaren, we have two winning commanies sharing a common goal and common partnership."



LOGISTICS AND THE SUPPLY CHAIN

ENTERPRISE RESOURCE PLANNING . By Tom Foremski

A way to open up new areas of business

ERP systems can centralise data within an organisation and help transform the business in response to changing market conditions

nterprise Resource over the next five years, Planning (ERP) has reaching \$52bn by 2002. become a key topic for IT departments within large and medium-sized organisa tions and its successful implementation can bring great rewards or nothing ture market that is worth

The integration of all manufacturing and all related SAP, followed by PeopleSoft, applications for the entire enterprise into a single monolithic IT system is the textbook definition of ERP, but its actual implementation becomes different for virtually each company. This is because ERP systems are not just a package of inter-related components. but a significant tool for taking a company into new businesses and speed the execution of new strategies.

This is only true, however, if ERP systems have been designed to complement the way a company works, or, as change its way of thinking to accommodate the ERP

system they have chosen. The ERP category is very broad, but market analysts say that it is also one of the fastest and largest areas of software and services. AMR Research predicts that the \$14.8bn this year, will grow at a compound annual

reaching \$52bn by 2002.

If you count related third party services, hardware, this year's \$14.8bn figure becomes an ERP infrastrucmore than \$42bn.

The clear market leader is Oracle Applications, Baan, and JD Edwards. These five companies hold 64 per cent of the market in terms of revenue. With an ERP market boom of 64 per cent growth in 1997, some observers have suggested that it is fueled by year 2000 'fixes'. Many companies have

been installing ERP systems in order not to have to rewrite their existing appli-cations. But with ERP systems taking at least 18 months to deploy plus additional testing time, if companies are buying ERP systems is the case more often, the now as a "Y2K fix", they will company has agreed to not make the year 2000 deadline and will suffer from

leading software failures. realising that there are many other benefits of ERP that go beyond Y2K fixes. "Given the time it takes to select and implement these major systems, companies ERP market, valued at have already passed the Y2K deadline," notes Tony Friscia, president of AMR shown to provide a generous advantages. "The battlefield

most Global 1,000 firms are well advanced in their ERP seek to extend ERP and related applications throughout their global supply

These expansions of ERP will take three forms, says Mr Friscia. ERP vendors will offer new applications such as supply chain management, customer support, and human resources. And ERP vendors will try to expand the number of licences sold into their installed base.

Ten to 20 per cent of a company's staff now access the ERP system, and AMR predicts this will grow to as much as 60 per cent of staff over the next five years. And the third expansion is the spread from using ERP in the manufacturing sector to virtually every type of enterprise, including retail, public sector companies, and healthcare.

ERP systems take a lot of many companies choose to handle the building and maintenance of these systems themselves, increasing numbers are outsourcing ERP. For example, Continensigned a big ERP outsourcing contract with Siemens Nixdorf - some observers say that ERP outsourcing will be the next big wave in outsourcing, in the same way that companies outsourced payroll operations

and other IT operations.

shows that not all companies installed ERP systems deployments and will now expecting them to save money on their IT costs. A survey of IT executives by Information Week Research showed that 11 per cent do not expect their ERP systems to pay back their investments, and one quarter say their ERP investments are more than \$10m. That's a lot of money to spend with the expectation

of little or no payback. But the reward comes in other forms: it centralises data within the organisation and makes it possible to transform that business more rapidly in response to market conditions. ERP systems have, in some cases, managed to transform smaller companies into global players and exploit business opportunities that would have been difficult

without their ERP systems. A key issue, however, is the Internet, and how ERP IT resources, and while systems can be Internet enabled. While US companies are ahead of European and Asian counterparts in making use of the Internet for electronic commerce and for distributing information tal General Tire recently within and without the organisation, most ERP systems are not easily Internet enabled

Mark Hunter, chief execu-ERP systems, believes that the focus for ERP vendors has moved on from the older While ERP systems can be argument over competitive growth rate of 37 per cent Research. "We believe that payback, a recent survey has now moved to outward



Asian factories have pioneered highly organised 'just-in-time' production systems; above, 1,000 workers stitch uppers for Nike shoes in

ADVANCED PLANNING . By George Black integration, using e-com-

merce to integrate your cus tomers and their suppliers. ERP systems also provide companies with a foundation for improving their business without necessarily making that "many ERP systems are like having a Porsche, but it is only doing 30 mph."

His company recently suggested three simple procedural changes to a client "They increased the benefits at almost no cost, without making a single change to the software," he says.

Within a few years, virtutive of Axon Solutions, ally every company of note which installs SAP-based will have an ERP system. which cancels out competitive advantages. But it is the way those ERP systems are used that will generate the

Managers rush for without necessarily making any big new IT investments.
Mr. Hunter uses the analogy scheduling software

'Just-in-time' technologies are now being used by manufacturers

worldwide hen Ford lost a week of vehicle production because it ran out of parts in June, it seemed to cast doubt on the value of just-in-time

technology. A shortage of cheap door latchés from a German supplier caused by a software error led to a very expensive stoppage at Ford's Dagenham and Cologne

JIT technology was also seen by some as having caused the shutdown of nany of General Motors North American plants around the same time when the company ran out of parts

during a strike. The Japanese JIT system. the origin of which is sometimes attributed to Toyota, was much discussed in the 1980s and hailed by its enthusiasts as the secret of producing the required goods of the right quality and quantity exactly

they were needed. Operated in Japan by the use of kanban cards. JIT is a "pull" system, that is driven by the producer's demand for parts, in contrast to earlier systems such as manufacturing resource planning (MRP-11) which were "pushed" by the output

of suppliers. Designed to eliminate waste in over-production and to minimise inventory. transport costs and waiting time, JIT sounded too good to be true - and in some cases proved so. Sceptics warned that it was too theoretical and that its jargon of "total quality anagement" and "zero defects" would not easily

translate to a real factory. More a manufacturing philosophy than a practical system, JIT was indeed often found to be too strict in its demands, forcing both manufacturers and suppliers

to live on a knife edge. Suppliers who were given 14-day rolling schedul requirements in which the daily updates could fluctuate by 30 to 40 per cent, complained that they could

As a result, the approach

was generally modified to make it more practicable by the addition of time and stock "buffers" which could avert the risk of disruption in the factory.

The recent incidents at Ford and GM, though they may indicate the pitfalls in the system, are unlikely to undermine confidence in the concept, as JIT systems are now being adopted by manufacturers worldwide in an effort to improve supply chain management.

For example, at Midland Industrial Plastics, a UK components supplier to the car industry, JIT has provided a huge competitive advantage, according to its information technology

manager Matt Stevens. "Because of our JIT capability, we have become a preferred supplier to Land Rover, our major customer," he says.

The company is alerted when a vehicle comes out of the paint shop and within two hours it has manufactured and delivered the parts to Land Rover ready for use. The software for this process is now being adopted by JBA as part of its

Fast-growing software sector

Now more commonly known as "advanced planning and scheduling" (APS) systems, this sector has become one of the fastest growing in the software market, according to a recent survey by the US consultancy Automation Research Corporation.

It says the APS market grew by 60 per cent last year and it expects APS sales to rise from \$625m in 1997 to \$3.8bn by 2002, as the take-up of the systems spreads down from the largest producers to a much wider market. APS has already taken off in the US and looks set to do the same in Europe, according to

The reason for the growth lies in the quest for better customer service and essure on manufacturers by the big retailers to introduce new methods of

ARC's survey concludes that the drive by retailers to adopt vendor-managed inventory and efficient

lies behind the rapid uptake of APS software. "Enterprise resource

planning (ERP) systems do not allow manufacturers to react quickly enough," argues John Watts. marketing manager for Scheduling Technology Group, a UK-based contestant in APS.

"ERP systems make assumptions about average lead times and delivery dates which do not enable them to provide the high level of customer service now expected," he adds.

"Build-to-order" is the objective of many manufacturers in industries from cars to personal computers. The benefits of building to order include sharp reductions in stock

and lead times to delivery. Mr Watts claims that the APS approach has delivered reductions in stock levels of up to 60 per cent and cut lead times to a quarter at some of his customers.

The leading ERP applications vendors such as SAP, Baan and SSA were to varying degrees wrong-footed by their APS and are now racing to introduce APS functions into

their program suites. SAP's Scope development project will deliver, among other things, an advanced planning and optimisation (APO) product, due for

general release in December. This will compete with ading APS vendors such as i2 Technologies, Manugistics, Numetrix and Scheduling Technology Group, whose specialised products have been bolted on to installed ERP systems to provide the extra functionality that

manufacturers want. SAP has had 260 people working on the development of its APO product in Germany and the US since September last year and introduced it at 15 pilot sites during the summer.

Charlie Ward, head of the Scope initiative in the UK, said that APO would bring short-term benefits to manufacturers who had up to now only derived longer-term benefits from its R/3 ERP suite.

In particular, manufacturers will be able to do far more accurate demand planning, he says.

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YEAR 2000 PROBLEMS

Disruptions are expected

From previous page

'But while large businesses are taking the job seriously, they're running into difficulties and delays," he

Smaller companies also face hefty bills - a typical year 2000 PC project for a UK company with 500 staff will cost more than £528,000 (\$871,000), according to the new Alpine report.

Karl Fielder, president and chief executive of the international software company, Greenwich Mean Time, (http://www.gmt-2000.com), says: "Our tests reveal that there are actually five separate layers of each PC that must be tested and fixed: the hardware itself, the operating system, the software programs, user data, and data that is imported and exported."

(See also page two, news rummary: strategic software partnership with Novell). Mr Fielder, who is a year

2000 adviser to governments in the UK. South Africa and Australia, says: "It's pure myth that the bulk of the cost of year 2000 readiness is due to hardware. Less than 1 per cent is spent there.

Based on our real world testing, 21 per cent of the cost is spent on software issues – and 77 per cent goes to resolve data issues," While there is still time to

resolve the problem,

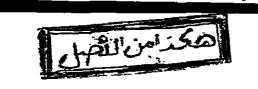
"business owners must act now - procrastination will be very expensive." According to Action 2000. the UK government's Y2K advisory body, there are 3.8m small businesses in Britain.

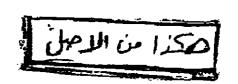
In the US, the Cap Gemini survey shows that corporations are finding year 2000 work unexpectedly costly and difficult. The nercentage of companies under-estimating year 2000 costs increased from 82 per cent to 87 per cent since December, with only 2 per cent describing their cost

estimates as "on target." Meanwhile, 69 per cent are unable to assess whether they will be able to adhere to 1999 spending projections.

enough, a survey says that US corporations relying upon others to provide key products and services could be faced with disruptions in supply chains. Based on a combination of project progress and risk failure factors, the survey found the utility, transportation and health sectors were in the greatest danger of Y2K computer failure.

If this situation does not improve dramatically, US corporations could find that even though they and their immediate manufacturing suppliers and customers are in compliance, they will face # uncertainly in how much power and water they can obtain, whether or not they can physically move their products to market - or even offer employees proper health insurance.







Ma By George Black

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LOGISTICS AND THE SUPPLY C

EUROPE'S NEW CURRENCY . By Geoffrey Naim

Distribution networks braced for big impact

Retailers will be forced to rapidly overhaul supply and distribution to cope with pan-European sourcing and more volatile demand patterns

The arrival of the euro come down. presents European golden opportunity to consolidate fragmented supply and distribution networks and create a single nan-Euro-

is still in its infancy in many European companies, but consultants believe the advent of a single European interest in using IT to tie together their fragmented supply chains and create more efficient distribution

However, many companies have not yet woken up to facturers and retailers of the full impact of the euro and their vision is limited to fulfilling the legal requirements of the new currency and the functions necessary for the dual-currency phase, which starts in January

"They have not yet considered the impact on the supply chain," laments Chris Huckle, a director at consulpers (PWC). "It's just not on their radar vet.

With the introduction of the euro on January 1, the elimination of exchange risks and costs will make cross-border trading easier. European companies will find it easier to source components and sell products in the II countries that make up the eurozone.

Today, it is much more cumbersome as you have to deal with currency fluctuations," says Peter Jorgensen, a euro specialist with IBM's retail and distribution divi-

The euro will have a profound impact on supply chains in Europe which have evolved to serve mainly

After the arrival of the euro, Austria is just another German-speaking country." says Mr Jorgensen, who sees regionalisation based on language as one solution for retailers to cope with the challenges created by a sin-

gle currency zone.
"A retailer might want to redesign its sales force around regions rather than countries," says Mr Jorgensen. "That will have a heavy impact on its IT systems because today they are typically different in different countries," he says.

One challenge for manupharmaceuticals and consumer goods is the current high price differences between similar products sold in different European countries. For example, the price of toothpaste can vary by more than 100 per cent across Europe.

Once these products are priced in euros, the pricing differences will be much tancy Price Waterhouse Coo- more obvious and difficult to sustain, retail consultants

Mr Jorgensen talks of a "Domesday scenario" in which prices converge rapidly across the eurozone, forhaul supply and distribution to cope with pan-European sourcing and the more volatile demand patterns created by the greater "price transparency" that the euro prom-

"Companies will need to make a much more aggressive use of IT to handle this fundamental change," he

The large food retailers turers have been slow to operate today on tight margins and over-stocking is kept to the minimum with national markets and are short supply chains and thus ripe for rationalisation using techniques such as

more volatile demand for some products as consumers will be more inclined to cross borders to take advantage of pricing differences. According to Chris Huckle of PWC, these "arbitrage opportunities" could create "unpredictable and illogical demand patterns" in products whose demand has traditionally been very predictable - such as canned tomatoes.

or 4 per cent variation in demand, the retailer has to start thinking seriously about running out of stock," he says. "A 10 per cent variance on forecast would be a

Specialists in marketing claim the Domesday scenario can be avoided and the euro's impact on differential pricing minimised with more emphasis on branding.

They argue that consum: ers will happily pay more for

their customers with what

they want – and still make a

The adoption of data ware-

housing technology should

make it easier for them to

strike the difficult balance

between offering customers

a good service with a wide

range of choice and achiev-

ing an acceptable profit on

While manufacturers have

been keen to raise profits by

limiting the number of

options for customers, the

ever more choice. Manufac-

take up data warehousing

systems as a possible solu-

tion to this problem.

decent profit.

the operation.

because of the perceived differences in brands. "Brand says Ralph Baer, euro consultant for UK-based consultancy Druid.

He believes brand-based pricing differences will survive and prosper in the eurozone, but in industries where branding plays a minor role sourced from a wider range of suppliers, the arrival of the euro is likely to intensify competition. "It's more challenge than opportunity for

Faced with the complexity of tying together a patchwork of national logistics networks and IT systems, some companies will opt for "Big Bang" approach and build a single "eurocompatible" system to manage their supply chain across Europe.

"A lot of retailers have bespoke systems and are now thinking of moving to SAP's R/3," says Mr Jorgen-

best-selling R/3 enterprise software specifically for retailers. It also has a "consumer products* version that includes optimisation planning and execution of the extended supply chain. All SAP's current applica-

announced a version of its

full "euro functionality" and existing customers can upgrade to receive the release free of charge.

The company is also organising a European Mon-

and Baan, its main rival in the European Enterprise Resource Planning (ERP) tomers will describe their handle the technical chal-

experiences in upgrading lenges of the euro. But users their systems to the new cur-rency.

of other systems need to start asking their vendors etary Union conference this market, are well-advanced in some companies with ERP month in which pilot cus- adapting their systems to systems that cannot be mod-



(£440,000) were put into circulation in an extensive trial of the new money. All the bills disapp

DATA WAREHOUSING . By George Black Easing suppliers' problems will soon be better able to provide

Walmart, the US retailer, is proving to be a model for many European manufacturers on ways to reap

benefits from data warehousing "The extended supply experiment with it in the way that retailers, banks chain has become a very

and telecom companies began to do in the late 1980s. UK manufacturers have only started to adopt it in the past year and hardly any have progressed far enough

market has been demanding But soon there should be some important results from their first projects. Where retailers are willing to share information with their sup-Only in the past three pliers across an extended years have a few of the boldsupply chain, there could be

powerful trend in the past year in this country," says Chris Elliott, marketing director for logistics soft-By combining information from their various enterprise resource planning (ERP)

systems from SAP. Oracle and Baan, into a data warehouse, retailers and manufacturers can make it much easier for people to know what is happening in the supply chain and thus improve customer service. ERP systems and intranets

can help towards improving supply chain, but allowing broader access to a data warehouse may boost it even

Alastair Sim, UK head of product management and strategy for software company SAS Institute, argues that ERP systems which are designed to run a business day by day are not well suited to analysing information on historical trends.

Manufacturers therefore need to build data warehouses which can perform that task and can potentially produce huge improvements



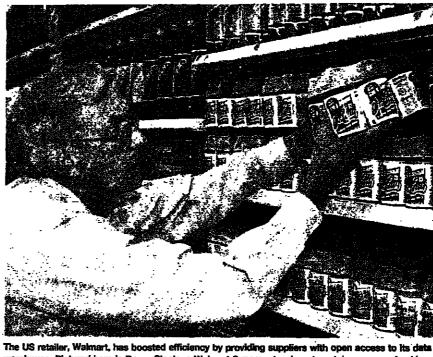
Richard East of NCR: 'Retailers have everything to gain by suppliers and have only to break the bad old habit of

in efficiency, he says. An international survey by International Data Corporation in 1996 concluded that data warehousing generated a median return on investment of 167 per cent, with a payback period of around one and a half years.

However, it seems that most users do not know what the actual return on investment is, because according to the Data Warehouse Network, around twothirds do not cost-justify the A model that many Euro-

pean manufacturers will be studying is Walmart, the US retailer, which has cut its risks and increased opportunities for its suppliers by letting them own the goods and stock the shelves.

To achieve this it has provided suppliers with open access to its data warehouse. so that they have an up-tothe-moment view of how their products are moving in



warehouse. Pictured here is Roger Steele, a Walmart Supercenter departmental manager, checking displays of 'Dr Enul' bottled softdrinks in Johnson City, Tennes

This has given them a much better ability to deliver the right quantities of goods to match demand. Also, it has enabled both the retailer and its suppliers to cut out many purchase orders, invoices and reconcil-

Furthermore, suppliers can gain access to sales data straight from the point-ofsale, instead of having to buy it from a market research organisation, which makes them better able to

respond quickly to market This has proved an extremely successful formula and is now being copied by some European retail-

ers with their suppliers. Richard East, a vice-president of the data warehousing systems vendor, NCR, says retailers have everything to gain by sharing information with their suppliers and have only to break the bad old habit of keeping it to themselves.

In the past decade, manufacturers have been trying, with limited success, to move towards mass customiproduction techniques to provide customers with products which are designed to their individual require-

Thus, someone buying a new car in the 1980s might have been told by the salesman that he would ring around and try to find one that matched the specification. Today, the details would be sent electronically to a factory and the vehicle

would be made to order. Data warehousing should facilitate this sort of service by making information on stock and delivery schedules available to the salesperson

while the deal is being done. Not only will this greatly increase the chance of turning a prospect into a cus-tomer, but the deal should become more profitable because of the savings in lower stock levels and more cost-effective delivery chan-

Manufacturers should also gain by tightening control over production and rationalising their purchasing.

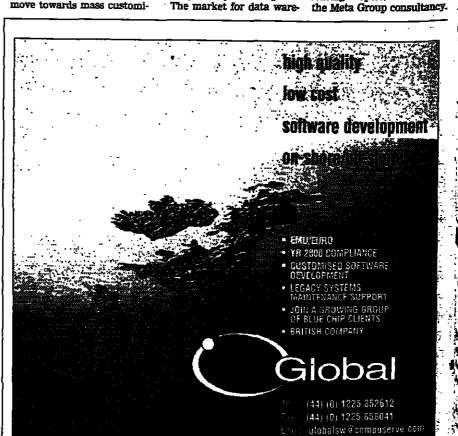
housing systems is about to be revolutionised by the entry of Microsoft and SAP, two of the software industry's leading companies.

At the top end of the market, as part of its Scope development project, SAP has recently introduced a product called Business Warehouse, which will integrate data warehousing with its R/3 ERP system.

SAP is hoping to persuade manufacturers to launch data warehousing projects after they have finished work on the year 2000 date problem and conversion to

At the low end, Microsoft is entering the field with a product called Plato, a smallscale data mart for running on Windows NT-based systems. This is expected to push down prices for data warehousing tools sharply and open up the user market to many smaller firms.

Between them, SAP and Microsoft will make data warehousing into a mainstream technology," 5875 Ruediger Spies, a director of the Meta Group consultancy.





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LOGISTICS AND THE SUPPLY CHAIN

'ERP' MARKET . By Geoffrey Naim

Software vendors target smaller companies

Suppliers offer a new range of cheaper, headache-free solutions to small and mid-sized organisations

fter years of astonish-Lket for enterprise resource planning software is showing signs of cooling. The industry has become a victim of its own success, experts believe, because there are today few large reganisations that do not have an ERP project running or planned.

With growth from their aditional customer-base slowing, the mainstream ERP vendors such as SAP and Baan hope to find new revenues from smaller busisses that, until now, they sign then the have largely ignored. AMR, a US market analy-

sis company, estimates there that today are running old in just 11 weeks. manufacturing resource planning (MRP) systems the predecessor to today's ERP technology. Many of industry could persuade their owners to upgrade to ERP, AMR predicts it would afford - manufacturing Ford are classic ERP users.

Time and money are often NT rise from 5 to 35 per cent. in short supply in small and mid-sized enterprises (SMEs) growing migration of cusand ERP projects have a reputation for consuming large organisations with multiple sites, ERP software licences commitment involved in tra- databases. ditional ERP systems but are offly it could be tailored to their more modest needs.

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These needs have tradiing growth, the mar- tionally been ill-served by the ERP industry as Spexel. a small Canadian paper manufacturer, discovered when it was looking to buy ERP software to run its business. The company needed to have its new system operational in just four months and invited offers from six big

"Most of the vendors dropped out because of the time constraint or because we were too small of an account," says Eric Martin, Spexel's director of information system development. Spexel eventually chose Baan because its ERP product seemed better suited to are 50,000 mid-sized manu-facturing sites worldwide and got the systems running

long with many A smaller companies, Spexel uses Intelthese systems are close to based servers and the Winobsolescence and if the ERP dows NT operating system to run its business instead of the more costly Unix systems favoured by larger generate fresh revenues of ERP customers. Analysts see \$15bn to \$20bn in application the growing maturity of software and related services Windows NT as an "enterover five years. The problem, prise" operating system as however, is ERP software one of the most important has a reputation as a com- factors driving the low-end plex technology that only of the ERP market. In the the biggest companies can past year. Baan has seen the share of ERP licence sales glants such as Boeing and that comes from PC-based systems running Windows

tomers to the Microsoft Window NT platform," says Tom quantities of both. For big Tinsley, Baan's chief executive. Earlier this year, Baan unveiled a strategy to attack can be very costly while pro- the SME market with packjects may grind on for sev- aged ERP applications that eral years. Smaller compa- run on a variety of hardnies balk at the expense and ware, operating systems and

The aim, according to to provide smaller companies with a "complete Unix and NT-based products for small and medium-sized

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These product "bundles" attempt to take many of the headaches out of choosing, installing and configuring ERP systems by providing

nations of software and hardware from vendors such as Compaq, Digital and HP. Customers can choose from SQL Server. Oracle or Informix databases and Windows NT or Unix operating systems.

SMEs with pre-tested combi-

indirect sales channel to sell its products to SMEs and complement its existing direct sales force, which only sells to larger customers. In its most recent quarterly results, Baan reported almost \$100m of direct sales compared with indirect sales of \$33m. Analysts say revenue growth in Baan's indirect channel has so far been disappointing even though it has adopted one of the most aggressive strategles to

It is not alone. SAP, the industry leader, claims half the installations of R/3, its best-selling ERP product, are now in SMEs. A third of the 13.400 installations it had at the end of 1997 were in companies with revenues of less than \$200m and only 17 per cent were in big global enterprises with turnovers of more than \$2.5bn. Like Baan, it has created ERP "bundles" to make it easier for SMEs to use R/3.

attack the SME market.

vendors have their sights set on SMEs, much to the annoyance of the many less-"We continue to see a er-known ERP vendors that have traditionally had this market to themselves. One such is JD Edwards,

Most of the big-name ERP

comparable in size to Baan but not so well known. It has traditionally specialised in ERP systems designed for IBM's mid-range AS/400 computer - a favourite system for mid-sized companies that is now showing its age.

JD Edwards recently supply chain.

grated and ready to run, its AS/400 customer-base. SSA is another mid-range ERP vendor traditionally strong in the AS/400 market but it has been less successful in making the transition to the newer platforms and reported flat sales and a loss in its last quarter.

The mid-range ERP mar-

ket has suddenly become a lot more competitive and at

first sight the big vendors seem well-placed to extend their dominance into this arena. However, analysts Baan last year created an warn that while SAP and Baan have strong product ranges, they have little experience of selling to the SME market and lack the industry focus and customer lov-

alty that the smaller vendors

EXCHANGING DATA: WEB-BASED EDI . By Nuala Moran

Smaller companies can now afford to use web-based EDI in supply chain integration 7 raditional electronic data

interchange (EDI), in which trading information such as orders and invoices is transmitted in an open format across secure, privately managed networks, is eing replaced by web-based EDI in which secure messages are passed over open networks.

This shift is enabling smaller companies, previously deterred by cost and complexity, to join electronic commerce networks. allowing direct communications between suppliers and customers regardless of geography, and making it possible to rationalise the supply chain by cutting out distributors. Roger Till, chief executive of the

Electronic Commerce Association, says web-based EDI "will unquestionably be an important driver." in reducing costs in the

solution that is fully inte- but will continue to support companies to get into," he adds.

At last, a low-cost solution David Cullis, managing director of

The man who started it all: Tim Berners-Lee, inventor of the World Wide Web, pictured in his office at the Massa

Kewill Electronic Commerce, a supplier of electronic commerce software and services says: "In the past, the expense of traditional EDI solutions, which can cost anything up to £10,000, has restricted their Now, he says, even the smallest

companies can trade online using Internet-based services such as Kewill's Xtra Trade. "For only £250 a retailers can benefit, avoiding year, organisations will be able to exchange catalogue information, orders, invoices, advance shipping and sales information, with multiple retail trading partners.

One of the companies using Xtra Trade is the long-established UK department store group, Bentalls. Sarah Roper, operations director for the group, says: "We have been using traditional EDI with a limited number of suppliers for some time.

"However, take-up of this technology has been relatively slow as something like 80 per cent of our suppliers are small businesses which don't have the resources to invest in EDI software and trading costs."

Ms Roper cites three reasons why Bentalls to build its electronic trading community: "First, it is low

month," she says.

Second, it offers a comprehensive range of messaging options. "We are particularly keen for suppliers to use Xtra Trade to build electronic catalogues, which will significantly reduce the data processing burden and guarantee the accuracy of information from both sides."

Finally, because Xtra Trade is based on open standards, multiple significant duplication of effort. Bentalls is now working in collaboration with rival store groups Allders and Selfridges on an awareness and education

programme to encourage small and medium suppliers to trade with them via the Xtra Trade service. A similar initiative is under way among UK supermarkets, with moves to create a shared web-based EDI network. "Given that supermarkets have so many suppliers in common, if you want to optimise the supply chain, then using the Web is the only way to go," says John Lister of ASDA.

"It is unreasonable of supermarkets to demand that every supplier has a different way of dealing with them

One large supplier who concurs

logistics and management systems director of CCL Custom Manufacturing, which fills and packages aerosol and liquid goods ranging from household cleaning agents to personal hygiene. pharmaceutical and automotive products for large companies including Unilever, Proctor &

Gamble and Bristol Myers Squibb. Some suppliers are forced to use different PCs, each configured separately, in order to meet the different EDI protocols used by their customers, he says.

CCL is now using the open standards of the Internet to give customers and suppliers access to supply chain information. "At any time, a customer will be able to drop into our web page and view their order status. Equally, our raw material suppliers will be able to download our planned production schedules and see how they need to re-align their own production plans.

The days of posting production schedules on hard copy and disc will soon be over "

In recent years, large companies have cut costs out of their supply



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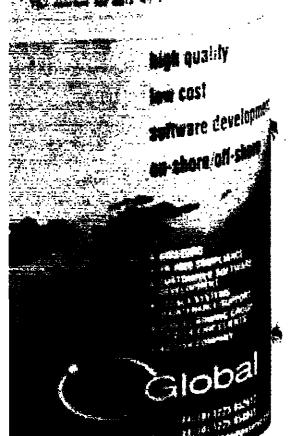
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CASE STUDY: INTERNATIONAL BOOK DISTRIBUTORS . By Philip Manchester

Service levels enhanced as sales rise ten-fold

In managing a site with 23 million books, IBD is holding its own in an increasingly competitive market by using its IT systems to the full

The flexibility of IBD's IT applications is the key both to improved

service and better warehouse organisation. The system gives the

... you can improve your handicap at the weekend ...

... Eve can wait ...

company complete control around the warehouse

com group, has seen its sales ness - and limited resources volumes increase by ten-fold in the last five years - but it IT systems to the full. has managed to achieve this

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In 1993 it operated its pan-European distribution activi- cessing and accounting. ties from an 86,000 sq ft 210,000 sq ft site managing dedicated kilostream link. 23m books - with the prospect of a continuing increase in volumes. The company is then sent to our warehouse currently in the process of management system to pick being taken over by the and pack the stock for ship-Pearson Group.

inevitably, IT has played an important role in keeping control of the rapid expansion of its business at the

International Book Distributors (IBD), a UK a current annual growth subsidiary of the US Viatro of 30 per cent in its busi-- IBD is keen to exploit its

At its Hemel Hempstead extraordinary growth with headquarters, IBD runs an only a fourfold increase in staff.

IBM AS/400 commercial package called TMS Bookmaster to handle order pro-The package is connected

warehouse stocking some to the warehouse at Lutter-3.5m books. Now it runs a worth in the Midlands via a into the TMS application and

ment," explains Keith Clark, IBD's inventory manager. IBD uses Acacia Technolo-

It operates two delivery gies' Warehouse Boss package to cope with the highly complex business of manag-

services via Securicor Omega in the UK, for example. The Hotline service requires despatch on the delivery the following day. The normal delivery service ships books within two days and delivery within three. It also promises guaranteed delivery within five days to all EC countries. service bas been recognised by an

because it runs on the ASi

400 computer - links directly

to the TMS order processing system. It also lets IBD han-

dle the distribution activities

of third-party suppliers: "We use electronic document

interchange (EDI) links

through TMS to several

organisations which handles

billing and orders. But we

can also plug clients straight

into the Warehouse Boss sys-

tem to speed up distribution

of the inventory we hold for

them. With VIE, for exam-

ple, we provide full real-time ordering and delivery," says

the growing volume of sales

- at peak times IBD can ship

over 2.8m books in a single

month - Mr Clark says that

the company has managed

to improve customer-service

Mr Clark.

upgrade in IBD's ranking by Book Sellers (Cubs), Three years ago, IBD was ranked 18th - now it is ranked 5th by Cubs and is rated as one of the companies which has mproved fastest. The improvements in its distribution network have

also been recognised by the book trade. A growing number of third parties - including publishers of books on computers and for children are now using its distribution services.

systems must be able to ban-

[... don't miss it!]

ing its warehouse and stock. dle these. Some third party The package - chosen stock is controlled alongside IBD's own stock and some is operated as separate "logi-

"Without the warehouse management system we would not be in the position we are in now and certainly would not attract important third party companies," says Mr Clark.

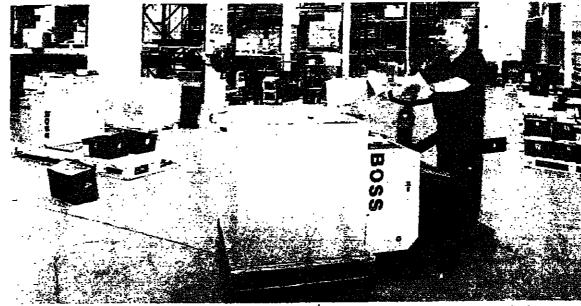
The flexibility of its IT applications is the key both to improved service and better warehouse organisation, adds. "Our system gives us complete control around the warehouse. We can optimise our picking lists to save time. And we can also con-In addition to managing can be sure that we put it in the right place first time round - saving us time and effort in relocating books."

Flexibility extends to the way the system operates enabling IBD to make side. changes in the way it works. "We don't have to spend several weeks carrying out a stock check on 23m books. We cycle count at random on a daily basis - which is effectively giving us a twice yearly stock check. More and telecoms consultant importantly we can change way we work easily without to do it for us."

IBD can control all stock the improvement in movements in the warebouse through the Warehouse Boss package. This includes automatic replenthe Committee of University ishment of stock to meet customer orders and changes to workflow in the warehouse. It also enables IBD to make the best use of its warehouse space despite the continued

> growth in its business. ing more space for more products - and automation is the only way we can do that effectively," says Mr Clark.

IBD is holding its own in an increasingly competitive Inevitably, third party market and has shown that organisations have different its IT systems can enable it requirements and IBD's IT to keep up with interna-



MOBILE DATA . By Christopher Price

Era of super scanners

he industrial market for hand-held computto be the poor cousin of its

While the latter grahs the headlines with products carrying more features, having better integration and slinkier design, the industrial market pales in comparison. Roger Goscomb, a logistics with CMG, the UK software the rules which govern the and systems group, describes the products for the industrial market as "very dull"

> "There are too many companies still reliant on expensive proprietary systems for their logistical requirements." he says.

and in need of modernisa-

Geoff Kell, sales and marketing director for Psion Industrial, which manufacturers hand-held computers, says: "The commercial market for hand-held terminals is definitely more conserva-"We have to keep on find- tive than the consumer market. "For example, there are very few 32-bit machines operating in industry, whereas on the consumer side its becoming standard."

However, with technology playing an ever more integral role in companies' ability to remain competitive, developments in the industrial hand-held market are beginning to make their mark. Users, too, are beginning to be more responsive

to new technology. Tony Wilson, marketing manager for the international operations of Symbol. the US hand-held devices group, believes advances in bar-code technology will greatly enhance the capabilities of scanning devices.

Two-dimensional bar-coding, which enables 10 times the amount of data to be journey. stored in the strip, has been slow to be taken up by logistics companies. Mr Wilson believes this is partly due to conservatism to new ideas, but also because of cost.

However, with prices beginning to fall, Mr Wilson believes "two-dimensional bar-coding is really begina customer to integrate much more data with a is pen-enabled screens. pretty sophisticated data-

Symbol has used the two-dimensional barcode as the basis for an integrated a work situation, plus they solution for City Link, the have the added advantage of UK parcel delivery group. The problem for City Link keyboard skills. was in keeping track of the progress of packages once trade fair in Hanover, Gerinside the delivery system. This applied mainly to business generated by the

WEB-BASED EDI

ware to produce their own based on the Palm Pilot. paperwork and har codes. 3Com's successful stylusbased computer. Another theme much in

Psion introduced updated

range, which included mod-

els with enhanced scanning

were the extensions to the

range provided by third

For example, ID Systems,

Blackroc Systems and Deis-

ter have developed applica-

tions which enable Radio

party developers.

Establishing computerbased communications between City Link depots evidence was ergonomics, and the group's regular cuswith models becoming tomers was deemed too smaller and easier to carry.

two-dimensional bar codes. This has allowed regular and lightest scanner to customers to incorporate date." much more detailed information on their parcels - and allowed City Link personnel equipped with Symbol PDF4804 scanners to monitor them at any stage of their

One application being examined is to include data on a parcel's weight in the bar-code. This would help in the fight against pilfering from packages, since the weight could be checked by the scanner again at any

A function being increas ingly adopted through the hand-held industrial market These allow the user to input and access data with a pen to the screen. They provide much more flexibility in not needing the user to have

At this year's giant CeBIT many, the latest developments in the industrial market were on show. Symbol, group's regular customers for example, unveiled a new who were supplied with soft-range of hand-held products

signed an innovative contract with Blick National, the UK security systems group. The £500,000 two-year

deal also involved Three X Communications, the systems integration group, and RAM Mobile Data, the radio network company. Previously, Blick offices

Psion also demonstrated

a dashboard docking unit for

vehicular monitoring.

Among a range of modules

to go with the VIC are facili-

ties for satellite tracking via

Global Positioning Systems.

which enable the vehicle to

be located by its office or

There is also Vehicle Data

Acquisition technology.

which allows the input of a

variety of data about the

vehicle's performance. The additional knowledge this

provides to fleet manage-

ment "can lead to massive

savings", according to Psion's Mr Kell.

The company has recently

its Vehicle Interface Cradle, 1

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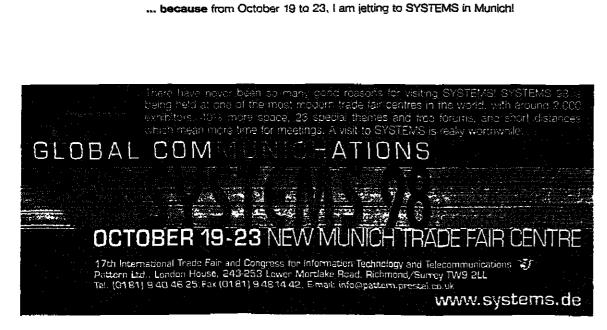
would be the location where customers rang in their orders and Blick engineers were in contact to receive

This led to congestion, as well as time wasting while engineers waited to get through to their offices. However, using the Workabout and the RAM radio network, engineers are able to computer to transmit their instead, it has adopted PDT6100, which Mr Wilson can then be used for realdescribes as "our smallest time messaging, which is useful for arrival times and

spare parts used. Blick believes it will save versions of its Workabout £50,000 a year in communications costs by phasing out its mobile phones and pagers. capabilities. As interesting and a further £100,000 a year in vehicle running and fuel

It is developments such as these which lead some in the industry to be more optimistic that industrial hand-held computing is shaking off its Frequency Identification dull image and beginning to tags - increasingly popular play a far bigger role in

luced updated versions of its Workabout range,



the filing can take care of itself

World network of 2,500 suppliers From previous page tional EDI over a value added network. Smaller sup-

suppliers with which they deal. Web-based EDI could reverse this trend without pushing up costs.

ence, Italy, which manufactures turbines, compressors and other heavy machinery sources 70 to 80 per cent of its supplies from 300 companies. However, the company, a subsidiary of General Electric, has 2,500 suppliers and these are scattered all upwards in size from twoperson machine shops.

Formerly, Nuovo Pignone work for trading with its gration. large suppliers, but no electronic trading links with the 2,000-plus smaller ones.

The company has now installed an extranet, allowing smaller suppliers to deal electronically via the Interstill have the option of tradi- tion of documentation."

pliers have access to the EDI, without the start-up costs and with none of the Nuovo Pignone, of Flor- complexities. Nuovo Pignone can track the activities of its suppliers, and at the same time give them access to sensitive data.

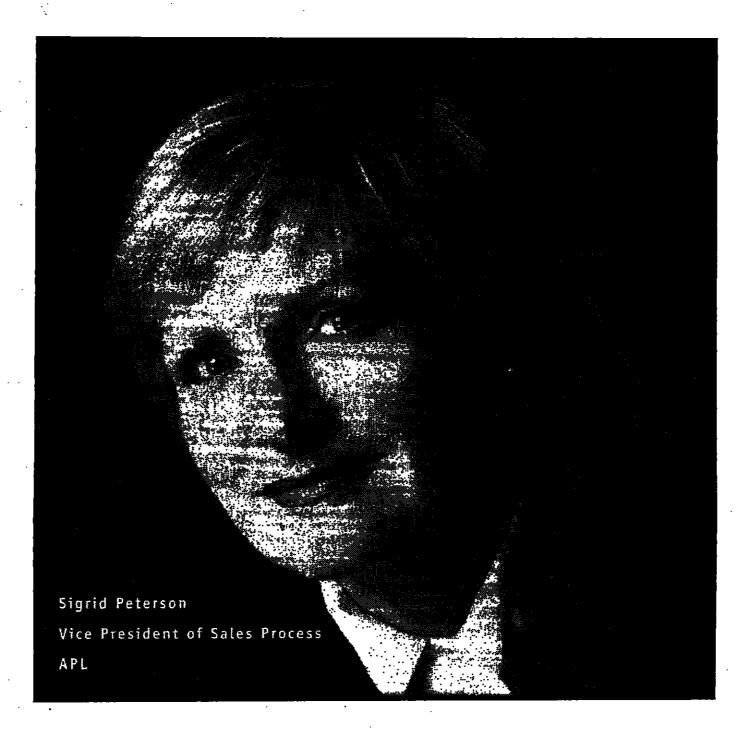
Simon Harrison, associate director of the transport and over the world and range logistics division at the IT services company, CMG, says web-based communications will have a profound had a traditional EDI net- effect on supply chain inte-

"Applications that could benefit include fleet manageling, just-in-delivery, automatic reordering systems. proof of delivery, on-line pricing, regulations and specifinet, while larger suppliers cations and the centralisa-

Financial Times Surveys Logistics **Tuesday December 1** For further information please contact: Catherine Markey in Edinburgh Tel: +44 131 220 1199 Fax: +44 131 220 1578 email: catherine.markey@FT.com FINANCIAL TIMES

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SIEBEL SOLUTIONS: GLOBAL SALES EQUALS GLOBAL SUCCESS



"APL'S WORLDWIDE SALES FORCE NEEDED A POWERFUL CUSTOMER INFORMATION SYSTEM TO MANAGE OUR GLOBAL ACCOUNTS SUCCESSFULLY."

APL, a leader in container transportation and logistics services, wanted to increase its team selling efforts in order to win and manage global accounts. That's why APL chose Siebel, the leader in Enterprise Relationship Management software. With Siebel Sales Enterprise, APL sales professionals from around the world share up-to-the-minute customer information that spans languages and time zones. The results? Truly collaborative selling and incredible productivity gains. To learn how Siebel can drive your global success, call +44 (0)1784 898403 or visit us at www.siebel.com.



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SECTION TWO: MAXIMISING SALES

Campaign managers sharpen up their act

New software solutions help companies to target potential customers and follow through to win results in the marketplace, reports Rod Newing

houses to gain competitive advantage. They use them to analyse buyers' choices, segment their market, target prospects more closely and predict buyers' behaviour. There has long been talk of linking the data warehouse to operational systems, but with little real substance so

However, users are begin-ning to see how data warehouses can be linked to campaign management software to provide an automatic two-way information flow.

Companies have been building data warehouses for ten years "as something on the side," says Arthur Parker. vice president for IBM's global business intelligence solutions. "They took a snapshot of data, analysed it and this influenced some of the marketing decisions they took. However, you need a strong structure to use the information in an operational sense.'

IBM has just announced an agreement to include Exchange Applications' Valex campaign management software in its Decision Edge vertical marketing solutions. NCR, another high end data warehousing specialist, already has its own Automated Individual Marketing Sales (AIMS) product - see also the data warehouse report by George Black in the section on logistics.

The link between the data

any companies are warehouse and the cam-building customer paign management software allows the marketing department to build a system that focuses on events, not merely analysing data. "A customer transaction could act as a trigger to an automated pre-planned personalised campaign," says Mr Par-ker. "It is more sophisticated than just using the data warehouse to plan a mail

shot. And it unlocks some of

Wider trend

the potential within it."

The integrated approach being taken by IBM and NCR is part of a wider trend. Vendors such as SAS, Prime Response, Epsilon and Acxiom are also building "end-to-end marketing solutions," says Phil Hulme, a senior consultant in the customer value management group at KPMG Management

to identify target groups and follow through to win results in the marketplace, creating a virtuous circle of knowledge management.

"Ready-built solutions are ideal because integration involves many tedious processes. It was once very hard work for user organisations to achieve this." adds Mr Hulme, "Brann Viper is also popular for achieving a similar effect with just desktop

ment software is becoming more important. "As marketing departments segment

Sales and marketing

Here and on the following four pages, FT writers focus on the growing role of iT in the marketplace

their market into a series of smaller areas, the annual campaign is being replaced by a different one each week," says Gareth Hershel. research analyst for technology-enabled relationship management at the Cartner

Marketing teams have to be more efficient in running each campaign, so they need and better applications," he says. "The latest software from vendors such as Prime Response and Intrinsic is much more powerful and user-friendly than previous

ment systems need to work in conjunction with the confusingly named sales force automation packages. The

automated, but the software acts as an enabler to support better ways of working for the sales force and gives them more effective means of dealing with customers. says Stuart Penny, founder of software vendor Integrated Sales Systems.

Big changes can be made by jointly harnessing the power of people, technology and processes," he says. Globalisation is now a key

issue in the marketplace. At KPMG, Mr Hulme says: "Our clients have very large cus-tomer base, operating in a wide range of countries and locations. Vendors such as Vantive have an advantage because they have a worldwide infrastructure that can support a big roll-out."

Software vendors are expanding, consolidating and integrating with enterprise resource planning (ERP) suppliers. Gartner's Mr Hershel says: "Exchange Applications has been very successful in the US and is aggressively expanding into Europe. Prime Response, which was traditionally UK and European, is moving aggressively in the US.

"Meanwhile, British Intrinsic is expanding into Europe and Acquis is looking beyond its established French market."

The ERP vendors' "back end" accounting, manufacturing and human resources market is mature and they customer facing systems to provide future growth, SAP has developed a product it acquired from Kiefer and Viettinger, and Baan has purchased Aurum.

KPMG believes that taking customer-centric approach ware that is just starting vendors are reflecting this als, including more than 60 approach, Aurum, Siebel and

The company that made

ers over the telephone - and

now via the Internet - has

gest PC makers, achieving a

72 per cent increase in earn-

fiscal quarter, with sales up

Now Dell, whose results

for the quarter were above

Wall Street expectations.

says it wants to make it

It offers US customers who

shop at the Dell Store on the

Internet additional protec-

tion from credit card theft,

misuse and fraud. The com-

pany says it protects custom-

ers in two ways: all informa-

submitted

www.dell.com, including

credit card data, personal

echnology that scrambles

the information that travels

The company claims that

this makes the information

virtually impossible for any-

one to read, if orders are

To demonstrate its faith in

this technology. Dell is

promising to reimburse cus-

tomers for credit card com-

pany liability charges up to

\$50 if it finds that fraudulent

charges have resulted from

an online purchase at Dell's

"Dell is focused on protect-

ing the many customers who

place orders at our web site

every day," says Scott Eck-

ert, director of Dell Online.

the company's Web-based

sales operation. "Dell is one

of the world's top sites for

Internet transactions and

this new guarantee strength-

ens our leadership position -

in the PC industry, as well

as in the domain of compa-

nies conducting business

online - when it comes to

In addition to the encryp-

tion protection and its new

guarantee, Dell says it has a

privacy and security."

via the Net to Dell.

intercepted online.

web site.

at

54 per cent.

Shoppers throng London's Oxford Street. Retailers are more likely to attract them with the aid of

Vantive are building integrated customer relationship management tools that support anybody who has an interaction with the customer," says Mr Hulme.

necessarily present a consistcustomer-centric products link the sales force, the support desk, the call centre and the web site."

US example

Computational Systems, a leading developer of predictive maintenance hardware mented Vantive for its 160 sales and support profession-

mobile users, located

We have replaced separate customer databases with a single database for sales and marketing, cam-"A data warehouse doesn't tomer support and linked it to our Fourth Shift ERP system," says Shawn Carson. director of customer service.

ment technologies that help to identify what customers want, claims Siebel System

"Sales staff can check the support case histories on their notebooks before visiting a customer and we can trace an order back to the original advertisement, but the big pay-off is targeting the sales force on high

In Europe, the use of the Internet for sales and marketing has not taken off in the way it has in the US. Gartner analysts are revis-

ing their Internet adoption forecasts for the next two

Although there is a lot of interest and hype, vendors tomers in Europe, says Mr Meanwhile, businesses

that apply enterprise relationship management teching, sales and customer service processes are those that are to likely to better acquire and retain customers, concludes Ms Pat House,

enhance revenue and profitability and ultimately sur-

tered across a vast area that

is the second largest nation

on earth - make Dell's direct

approach an ideal alterna-

phy makes us even more

cost-effective than the other

have to deal with higher cost

"In Canada, out of the tor-

four suppliers in the PC mar-

ket, we are the only direct

vendor. All of our competi-

tion goes through retail or

resellers - it adds a lot of

cost unnecessarily and also

doesn't allow manufacturers

quality and customer experi-

He is well aware that his

competitors are looking hard

at the Dell model and trying

to find ways to make it work

for them. Compaq Computer,

IBM and Apple Computer

have all made moves over

the past year to provide

some form of direct or "build

to order" capability to cus-

distribution," he says.

"If anything, the geogra-

tive to retail sales.

"As part I'm help

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CASE STUDY: INTERNET SALES . By Geoffrey Wheelwright

Key role for IT in the marketing mix Semintic gap the difference of the company that made Rising sales by Dell Computer Corporation, the Texas-based personal computer manufacturer, are now estimated at more than six times the industry rate. The company that made

Electronic analysis helps public relations companies to closely assess the value of printed reports

MEDIA EVALUATION . By Mark Vernon

ords in print have been analysed since Cayton invented the press. In fifteenth century Sweden the appearance of the heretical "Books of Zion" led to an assessment of their religious orthodoxy in probably the earliest attempt at media evaluation, upon which the lives of the

Yet even in today's world of media sophistication, the means of assessing the value to a company of news pieces. articles and features, often rises little above the measurement of column inches or the size of a

"Given the increasin amounts of money that is spent on this kind of public relations, which runs into billions worldwide, it is remarkable that PR companies remain so crude in the justification and targeting of the spend. senior lecturer in communications at the

But as organisations become less convinced about the benefits of expensive industry should be in a position to offer a more refined alternative in its stead. But to do this, it must become more accountable. As Jackie Elliot, chairman of PR trade association, the PRCA, says: "If we fail to be able to capitalise on the opportunity. Somewhere between the jargon-rich world of adland and the data-rich world of direct marketing there are metrics to be established for PR." But the question is how? Part of the answer will be found in leading edge

information technology Although the trained human brain is currently the best assessment tool available. improvements in computers. notably with neural networks, should make technology increasingly valuable to the task over the next five years. By then, software sophistication. backed up by sheer computing power, will be able to imitate all the nuances of "message interpretation.Perhaps the

most important breakthrough is in the

extension of analysis from

numerical data to text. PR is nothing if not the management of human reactions, though this is all about intangibles such as "the feel" of an article or comment. International **Business Machine's text** mining solutions provide one example of how technology is now beginning to cope with analysis at this level. Charles Hout, IBM's manager of text mining elements are crucial if computers are to 'understand" linguists: morphological and semantic

The first comprehends the text in terms of grammar. The second analyses the text in terms of rules established eccording to the task at hand. "We are able to study the

degree of satisfaction that customers or commentators have with a product or service. This not only treats words in isolation, but looks at the structure of sentences and inflection. Further. modern analysis algorithms are targeted at specific business issues so that they deliver results which are directly applicable."

lectricité de France. the large utility group, has used IBM's solution to study public perception of its electrical car and nuclear power development programmes in

press reports. Formerly, the assessment of hundreds of articles was carried out manually by an analyst, But the advantages of automation are not just seen in terms of time: consistency is improved, too.

There is the basic matter of human tiredness, but more interestingly the techniques refine the iterative character of analysis, so that as the sample is processed, trends that develop are able to be reflected back on the earlier analysis already carried out. Further, in combination with public opinion surveys

the company has been able

interpreted by the reader

dealing with the so-called

to assess how the

journalists' angle is

semiotic gap, the difference between the declaration and reception of a marketing

It is not just in the area of PR that IT contributes to enhancing the ingredients of the marketing mix. Properly implemented, data mining tools can be applied to draw out multifarious correlations, patterns, and trends from the large amounts of data held in corporate repositories. These

tools make the information buy its PCs over the Internet. In the past year, the company has already accessible to even relatively 'non-IT literate" marketers. boosted PC sales from its However, there is also a danger of a backlash if web site from \$2m to \$6m a companies treat expensive day. But Dell worries that IT as an ill-considered concerns about credit card security are holding it back panacea to their marketing woes. "A good number of from even greater success. As a result, it has companies have invested in an operational database announced the introduction system, such as a card-based of what it calls the "Dell system, without building up online secure shopping guarthe strategic framework that

allows a company to benefit from the information collected," observes Tanya Bowen, STS's database marketing consultant. "Benefits are enjoyed when a marketing database is used as a customer

information tool – and not exclusively as a marketing tool," she says. Her point is that database marketing will not deliver fully if it is only used within direct marketing. But as a customer information tool,

on the other hand, it can provide a company with a deeper understanding of market shifts and customer trends, to which PR, for example, can respond.

For the PR industry itself, Merlin Stone, professor of marketing at the University of Surrey, returns to the issue of accountability. It is here that IT might deliver its next benefit, since - as has been pointed out - PR needs means to measure its

"This will come with the ability to score how a PR campaign has succeeded," he says. "But whether companies will find PR worth while is then another question entirely, depending very much – I suspect – on the company and industry concerned. And remember: just

because the chief executive sees his picture on the business pages of his favourite daily, does not mean it is useful coverage for the company - though it might increase the PR budget next year.

its name by selling comput. In a move to win even more customers, Dell launches an 'online become one of America's big. secure shopping guarantee' in the US as its PC sales rise to \$6m a day

ings per share for the second ers to any outside company. fiscal quarter, with sales up Michael Dell, chairman and chief, says that Dell has grown more than six times the industry rate. Revenues for the three months to August 2 were \$4.3bn, up even easier for consumers to from \$2.8bn a year ago.

> Canadian · example

The US is not the only country in which Dell has recently boosted its online sales efforts. In Canada, for example, where you might think that geography and transportation logistics would militate against online shopping, Dell has enjoyed huge online success.

According to Scott O'Hare, president of Dell Canada, it took less than eight months to build an online business in his country - "sales went from nothing to \$2.5m a

Mr O'Hare says "there is no magic in all this" - just a information and product strong commitment to treat orders, is encrypted using online sales in the same way treated its 1-800 telephone

to reach them," he says. Since the company started taking electronic orders from its web site in June. 1997, it has built up what could become a \$100m business this year.

sales operation.

"The Internet is just

another way of turbo-charg-

ing our direct sales engine -

it provides another vehicle

One of the keys to this success lies in the fact that selling from a web site is little different from selling via the phone - and it doesn't change the underlying business model of the company - at least for Dell, which is used to selling direct to customers.

"Unlike all of our competitors and many other companies in different industries. Dell has not had to reinvent its business model to make use of the Internet," says Mr O'Hare. "It's just the next natural extension of how to build a relationship with a

attributes of the Canadian that it has successfully market - with a comparatively small population scat-

Mr O'Hare suggests that by selling to Canadians from Dell Canada's web site, then Canadian customers can obtain better pricing, delivery and specification information than from the American-based web sites of other competitors. "Our Canadian customers can access www.dell.ca and get very specific Canadian information, pricing and lead times. specifically for Canadian customers," he adds.

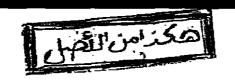
And unlike buying a PC over the phone. Mr O'Hare also be a lot faster as consumers can quickly pick the specification for their systems from on-screen options, rather than stepping through many levels of menus and choices from a telephone operator. "There are a significant

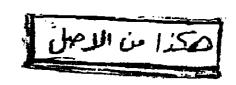
number of choices that you. as an educated consumer. can make in buying a PC online." he adds. "It's not like having just three 'flavours' on the shelf of your local retailer. We have have been successful in helping businesses and consumers make those choices over the phone, but with the Web site you can make those trade offs in real time.'

The web site can also be used to track the progress of an online order - which, typically, is delivered five to 10 days after ordering.



policy that prohibits the release of any kind of infor- Michael Dell, chairman and chief executive, says the company has mation provided by custom- grown more than six times the industry rate









"As part of Lucent Technologies, I'm helping to take communications in Europe to new heights."

JAN NEUTEBOOM. Manager. Software Development

I love the feeling of freedom when I fly. It's like the freedom I have at Lucent Technologies to find a better communications solution.

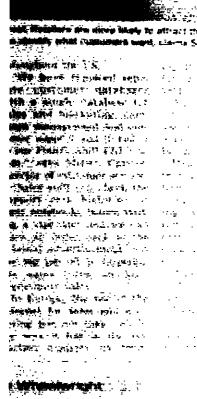
That's how my team of high-flyers developed a countrywide networked messaging system to service all the Netherlands. And it's why Lucent solutions — from voice and data networking to internet call center applications and wireless — are transforming communications throughout Europe.

Whatever the future brings will probably come from Lucent Technologies too. After all, over the past 128 years Bell Labs, our R&D division, has developed innovations that include the transistor, laser and cellular technology, even the communications satellite. And eight of our scientists have been awarded the Nobel Prize — a legacy of innovation that continues with 3 new patents every working day.

Who's responsible for this record of achievement? Consider that I have 15,000 colleagues working at Lucent across Europe — and 120,000 worldwide. Each of us is aiming to make the breakthrough that takes communications to a new level. That's why I know Lucent will change the way you communicate. Get ready for take off!



We make the things that make communications work.™



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INTERNET COMMERCE: EUROPEAN PERSPECTIVE . By Geoffrey Naim

Wanted: buyers not surfers

Electronic commerce has vast potential and authors, the advantage of the Internet comes less from trying smaller companies are eager to get online. But unless issues such as security and payment systems are fully addressed, then market growth will be constrained

he Internet means many things but for Europe's 17m smaller businesses it signifies a golden opportunity to compete on equal terms with bigger competitors in a new virtuai marketplace.

The number of online users grows each day ~ 100m are predicted for the end of this year - and for small and medium-sized enterprises (SMEs) the Internet seems to provide a cheap and painless method of rapidly growing their business. However, things are not that simple for while the number of online buyers is rising, competition is also growing for what is still a small market. particular outside North America. "Internet commerce badly needs consumers, not simply surfers," says the

represents Europe's IT industry. It predicts revenues generated by sales and advertising on commercial websites in Europe will grow almost 240 per cent this year to Ecu6.5bn (\$7.08bn). That may seem large, but a

Technology Observatory, which

European Information

comparison puts things into perspective. Europe's entire e-commerce market is equivalent in size to the turnover of just one large retailer, such as Continent, the French hypermarket chain.

"The Internet clearly sells only a minute portion of the total goods and services sold around the world," says management consultants Fiona Czerniawska and Gavin Potter in their recently published book, Business in a Virtual World.

Another problem is that most small companies give little thought to how they will encourage visitors to their online store. Today there are thousands of e-commerce sites, making the Internet "considerably more competitive than your local shopping mall or high street," say the authors.

"Passing trade on the internet is close to zero," they say, and anyone expecting thousands of eager buyers to accidentally stumble on a site "will almost certainly fail."

So why set up an online store if the chances of success seem so small? According to the above

to replace existing sales channels - creating a website that resembles a virtual shop - but rather using the Internet as a complementary channel or to experiment with new ideas.

Simply translating your physical marketing channels to the virtual is not going to generate additional sales," they

Cedlerts Fisk, a small Swedish luxury food suppler, offers a good example of how the Internet can be out to more imaginative use. Traditionally selling just to restaurants, managing director Christer Oholm hit upon the idea of using the Internet to also sell lobster and salmon to consumers. "I was convinced that it could provide us with a low-cost and highly practical means of reaching new markets," he says.

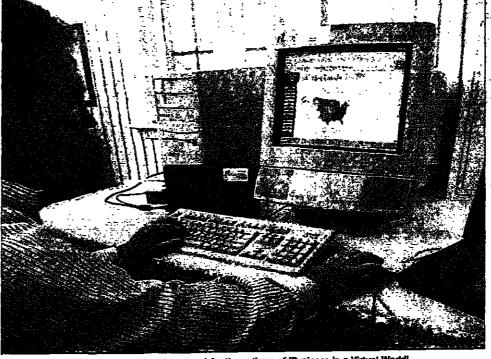
he site was built using IBM's Net Commerce software. Selling lobster over the Internet has its problems and Cedlerts Fisk had to design special packaging and ensure delivery within 24 hours. But Mr Oholm says the effort is worthwhile as the Internet has become a powerful marketing and sales tool for the company that can, for example, learn customers' preferences and track buying patterns.

challenges for SMRs - and not just those selling seafood. The European Commission recently published a set of guidelines to encourage European SMEs on to the Internet and spell out the problems they face. The EC is concerned that the potential of e-commerce is not being fully realised by the 17m SMEs in Europe. "E-commerce clearly has a great deal to offer SMEs but there are issues which will need to be resolved if this is to be

The report breaks down the issues into four broad areas: product information and marketing, trust and security, payment systems, copyright and asumer protection. In the first case, the

Commission hopes to make it easier for SMEs to be found on the Web by introducing a standard system for classifying companies and products in online databases and search engines. The problem of trust bas

traditionally been seen one of the biggest hurdles to doing business online and it particularly affects SMEs, the Commission claims. Solutions based on digital certificates have existed for some time but they are often incompatible and there is an added problem in Europe as the necessary infrastructure of Certification Authorities (CAs) is immature. To achieve the goal of



Passing trade on the Internet is close to zero, claim the authors of 'Busine

Europe requires that links be built between the national CAs of European countries. Today, there is no guarantee that a certificate issued and legally valid in Portugal will be recognised when the user attempts to buy from an online store in France.

Without these "cross certification" links, the consumer faces the humiliation of rejection and the trader loses a sale. Payment systems are a more mature Internet technology, but incompatibilities persist. For SMEs, the biggest hurdle is

the fear of losing what may be a significant payment if something goes wrong. The guidelines recommend that payment system providers should bear the major share of the risk to encourage SMEs to accept e-payments.

The final item that the EC wants addressing on its e-commerce agenda is the legal minefield that currently surrounds e-commerce. "There is a danger in the new virtual environment that legal uncertainty will arise about which member state is competent and which law applies." Copyright legislation needs to be updated to protect electronic works, the EC says, and it wants purchases made on the Internet to enjoy the same validity and consumer protection as those made on the High Street.

The e-commerce market has enormous potential and European smaller companies are as eager as anyone to get online. But unless these non-technical issues are addressed, market growth is likely to remain



Data gathered at the checkout: Safeway has 400 stores, linked by a satellite network to its data centres. The aim is to analyse what individual customers are likely to buy

ANALYSIS OF RETAILING PATTERNS . By Philip Manchester

Customers in sharper focus

In seeking ways to respond to customer demand, a leading supermarket chain is moving from information management systems to knowledge management

he use of advanced IT tools for demographic analysis of customers has brought significant benefits to retailers. Comprehensive databases of customers' shopping habits have enabled retailers to make sure they stock the right products and get them on the shelves at the right time. Not only can stock levels be optimised, but customers buy more of what they really

But now that most big retailers use some form of looking at customers. We needed to go further," he demographic analysis, know- need to know about every edge about groups of customers is no longer enough: ket - and this means using 'We must be able to get down to individual custom- both to collect data from the

them more precisely," says it," Mr Winch says. Mike Winch, IT director at Safeway supermarkets in the

With a database covering over 8m customers, this is the pioneers of loyalty card no easy task. Safeway is the third largest supermarket chain in Britain with annual sales of \$10bn. It employs 70,000 people at more than 400 stores across the UK. "We have changed the way

we manage our business from looking at products to them - but recognised we item in their shopping bas very advanced IT systems

ers and be able to serve point of sale and to analyse Loyalty cards are.

course, the key to understanding customers' buying habits. Safeway was among schemes: "We have been involved in collecting customer information from lovalty cards since 1990 when we introduced our first scheme. We quickly understood the value of the information we could get from

explains. A long-time IBM user. Safeway used IBM's main- analyse large databases and frame database DB2 to build application developed, Safeway became concerned that customer buys - but also the a mainframe-based system might not be able to offer the flexibility it needed.

alternatives such as Sequent ric of how we do our busiand Teradata. We wanted more flexibility to expand the database. But it became clear that we could apply carefully targeted mail shots DB2 as an enterprise server and use IBM's data mining it knows will interest them. tools to find the information we wanted."

Data mining is a technique for analysing large volumes of data. The data volumes

perspective. With its 400 stores linked via a satellite network to two data centres, Safeway has to manage a staggering 30 gigabytes of data generated by loyalty card shoppers at the point-ofsale terminals. But this is only the first stage in the process of turning raw data into useful sales and market-

ing information. "We keep data on customer transactions down to product level and we need ways to understand the data so we can meet their requirements," Mr Winch says.

This is where Intellicomes in. Data mining tools tease out valuable informathe customer information tion such as sales patterns. ment. We are already trying application to support its They enable an organisation loyalty scheme. But, as the such as Safeway not only to work out what products a kind of products that might appeal to them.

Our competitive advan-"At the end of 1995 we tage is linked to what we started to get nervous about know. So we have embedded the mainframe and looked at data mining in the very fabness," explains Mr Winch. As a result, Safeway is, for

example, able to send out the till. to customers about products The improvement in sales from mail shots is easy to measure, he says. "We have

taken segments of our customer database and sent upon finding ways to inno-Safeway has to deal with put mailshots to some customers

the need for flexibility into and not to others. We could see the benefits of the mailshot immediately and have been able to measure the payback. And these are large numbers so they are statisti cally relevant."

Safeway expects to be able to build upon the work it has already done on its customer information databases. Knowledge management is the next obvious step that it can take to improve its sales and marketing operations,

says Mr Winch "Even though we know a lot about our customers, we think we are only a small part of the way that we can go - and we are constantly gent Miner - IBM's getting new insights in to "data mining" tool kit the data and our customers. The next step is to move from information management to knowledge managenew ways to respond to customer demand - hence our

'Shop and Go' approach.' The Shop and Go scheme allows customers to scan the bar codes on their own shopping using a portable scanner. Not only does this reduce the number of till staff needed it also saves customers' time because their goods do not need to be unpacked and repacked at

As the retail sector continues to become more competitive, Safeway is confident that its advanced IT tools will let it keep ahead of the game - although, along with its competitors, this will rely

BRITISH COMPUTER SOCIETY AWARD

The search is on for innovative IT teams

to a quoted company. Key

between IT, end-users and

Managing director Sue

Concannon said the award

recognition to a critical and

to the success was the

relationship fostered

gave deserved public

highly visible project.

The award has had

similar impact at other

rinners. The London

project disasters by

Ambulance Service found

the award increased morale

when it won in 1997 after a

new team ended 10 years of

successfully developing a

command and control

system. IT director Ian

IT suppliers.

Nominations are sought for the next BCS award for information systems management

he annual UK award for information systems management has opened for The prestigious IS

Management Award is run by the professional body, the British Computer Society, in association with the Financial Times, and sponsored by Blue Circle Industries. Deloitte & Touche, KPMG Impact, Unisys, and Woolwich, the financial services group. The award recognises

achievement, improvement and innovation in IS management in the UK. The judges look in particular at impact on business performance, the relationship with

end-users, and the management of development or operations. The award typically goes to a team rather than an individual. Past winners

Tighe said: "The control room was buzzing for two weeks after the award ceremony, and it was great to see people holding their heads high after so many depressing years." When P&O European report benefits in terms of Ferries won in 1995 after a massive business change heightened status for the IT department and even for project, IT director Nigel

The 1998 winner, Halifax IT in the company has been Share Dealing, developed a unique combination of IT enhanced, suppliers have proved eager to associate systems to enable it to themselves with our handle share trading for success - and the award two million customers in has helped in recruiting its first week after Halifax Building Society converted

Eagle Star Insurance, the 1996 winner, reaped commercial rewards, with sales consultants using the award in promotions. The other past winners

are Ford; Tesco, the supermarket chain; and Cheshire County Council.

How to enter

The entry procedure starts with a simple nomination form, due in by December

Selected entries are investigated by a panel; and three finalists make a presentation to a judging panel of senior executives The award will be

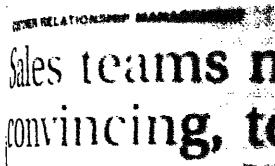
presented at a prestige dinner, when the editor of the Financial Times. Richard Lambert, will be the guest speaker.

Nomination forms are available from Maria Teresa Muir on (01793) 417417; fax (01793) 417432. E-mail: mtmuir@bcs.org.uk





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COMPUTER TELEPHONY INTEGRATION . By Michael Dempsey

Screen-popping brings productivity benefits

Suppliers of CTI systems are experiencing phenomenal growth

pany with 18 staff, based in North London, has a simple selling proposition. It puts travelling businessmen together with linguists who can speak the right language for their location. It does this over the telephone, but has doubled its turnover from £1m to £2m in the last 12 months by uniting its phone system with a computer application the CTI application recogin the computer telephony integration (CTI) family.

Language Line staff wrote much of the software that multiplies the impact of every phone call they using a programme called Mediapath to govern their specific application.

Bruce Cadbury, managing director, explains that Mediapath, from telecoms giant Mitel, acts as management software, offering a familiar Windows-type interface while linking phone and computer. "It enables us to plug our own application into the phone system. Everything runs on a dedi-The cost of this computer

hardware, sourced from Digital, was included in Language Line's £100,000 invest-

"Mediapath provides the operating environment in which we can write applications software," says Mr Bruce Cadbury, head of Cadbury. With customers Language Line, has seen a such as British Gas, Lan-remerkable rise in turnover

anguage Line, a com-guage Line has to respond to our database," says Mr Cadimmediate requests for live bury. This process takes translation services. An executive will call Lan- minutes, and involves pullguage Line from a mobile

phone when he encounters problems at a hotel check-in operator sees a screen of data on that corporate customer and its relevant history. This information is prompted automatically as nises his phone number.



between 20 seconds and two list of around 3,000 interpreters. Some of Language Line's desk. The Language Line larger customers can dial a specific number to gain access to a particular lan-

> "We know, for example, that it's a particular company and they want Japanese," says Mr Cadbury. Russian, Polish and Czech speakers are much in demand from companies opening up business in eastern Europe. The technical process here is one of database retrieval; the call centre is integrated into existing information and lets Language Line make more use

The effect of the Mediapath installation has been to from Oracle. multiply the productivity of all of Mr Cadbury's staff. "Anybody in the organisation can respond to a sales call because they have all the information about the integrating that data with customer up there on the

lives of sales and marketing staff. The Language Line system has simplified Mr Cadbury's technology inventory by plugging phones straight into the Digital

"Once we've identified server. "Everything runs off them as a customer, we the server - there's no select an interpreter from switchboard or local

For Mr Cadbury, the remarkable rise in his turnover in the 12 months since ing the right name from a the Mediapath installation went live is proof that CTI double my turnover without doubling my staff."

The financial rewards for rored in the fortunes of companies turning out products for this marketplace. According to Ovum, the research group, the number of CTI-en-abled workstations worldwide will grow from 10m in 1999 to 40m by 2002. Applix, a \$50m Boston-

based software house, is just one of the suppliers experiencing phenomenal growth in this sector. Typical Applix customers already keep masses of data in sophisticated database products

Applix Enterprise, the company's core product, is a suite of software focused on the job of "digging down" into customer databases and systems. According to Tony This feature of CTI is Martinez, director of product to be managed in tandem. known as screen-popping, marketing at Applix, 80 per and appears to have made a cent of his customers are dramatic difference to the looking for CTI applications when they spend upwards of logical step \$25,000 on Applix Enterprise. And sales of this product are estimated at \$30m in 1998, a dramatic increase on 1997 sales figures of \$17m.



operations to the Merchant Group's 450-seat communication centre, based at Milton Keynes in the UK - and one of the most advanced

Fuelled by fear of customer attrition as businesses jostle to provide better telephone support, US and European companies are enhancing existing call centre alised product - Kingston calls as they come in, captur-technology. The rise of mar- SCL sells telecoms billing ing information about each keting via the Internet means that phone services and Internet sites often have

The next

Creating a unified mess via screen-popping and the mass of support that comes with CTI is the next logical Customer service is the step for companies that want of calls, but the ones we do "Our support was a blunt CTI, but only if driver behind this phenomes also and marketing departing get are of high complexity." instrument. Now it's finely duce it properly.

and now need to tie the tomer-support manager. Internet into that equation. Kingston SCL is an Applix

user that employs CTI software to provide intensive support for a very specisoftware, servicing an international customer-base, including mobile phone operators in Finland and Hong and support is given a prior-

This is complex software operated by highly technical receives a call for support, the problem will not be solved by a quick reference to the user-manual.

"We receive a low number measurements.

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Kingston SCL has succeeded in integrating a CTI "The problems we address

are not dealt with by twoproduct with its own workminute answers. ing processes. But not every His Applix installation has business has this skill or been configured to filter luck. Mr Neil Dewar, a telecoms consultant with PA Consultincident and classifying it by ing in London, sounds a note order of importance. Calls to

ity according to customer as many products as there are customers. The user has For Mr Appleton, CTI has to do a lot of work to understaff, so if Kingston SCL done away with an old sys- stand what it can do for his tem of telephone support company. staff constantly inventing "Integrating one product classifications for calls and with your phone and comreplaced it with scientific

the support line are coded

puter systems is a challenge. There are big benefits to "Our support was a blunt CTI, but only if you intro-

CTI euphoria: "Everyone's

CUSTOMER RELATIONSHIP MANAGEMENT

Sales teams need convincing, too

New customer relationship management systems go far beyond old-style sales force automation

management of customer relationships, the sales team may initially be less than overwhelmed by the advantages of new methods, as a leading telecom company

British Columbia Telecom (BC Tel) is one of Canada's follow. largest telephone companies and for many decades held a virtual monopoly on the vast majority of long distance traffic in Canada's most

western province. In recent years, however, the company has faced increasing pressures as deregulation of the Canadian telephone market opened BC Tel up to competition - with leading competitors, such as AT&T Canada and Sprint Canada, jumping into the

As a result, the company has had to go from a busi- processes with mobile comness model that assumes almost anyone with a telephone in the province is an nel and sales management automatic customer to whom it merely has to sell the maximum number of services, to a model where it team activities, such as must compete for customers. This new competition takes place not only on price

and service, but also on the with customers.

such a competitive environment, it is the level of rela-

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Five issues

Thile today's soft- tionship with users that ware systems can determines whether or not help improve the BC Tel retains the business. In many cases, competitors can find ways to match BC Tel's prices and services,

but Mr McArthur suggests that if BC Tel can do a good job at building better on-going working relationships. then customer loyalty will To help with this task, Mr McArthur turned to Pivotal Software of North Vancouver for the supply of cus-

ment (CRM) software. "To increase our advantage in the marketplace we required the ability to capture and share more customer information," he adds. "Not only do we want to retain and win back customers; our objective is to help them grow their business."

BC Tel aimed to automate and streamline its business puters and Pivotal's CRM solution. Field sales personcan now track contacts, customers and opportunities, plus manage personal and appointments and "to-do"

By using the system to track all meetings with cusability to build strong links tomers, allowing central access to such information According to Drew McAr- (where appropriate) by other thur. BC Tel's business sales staff, and track suctransformation manager, the cesses and failures, BC Tel company recognised that in gains "very specific feedback."

One reason for seleceting

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Pivotal Relationship was the long-distance customers. The company employed a third party, Burnt Sand Solutions to carry out the customisation. The end result has been improved sales and customer

Sales staff can quickly react to competitive situations - and errors have been because of the shared customer database and built-in document generator, he says. In addition, the reporting tools also allow sales managers to devote more time to coaching and tomer relationship manageimproving sales techniques rather than filling out forms and writing long-winded customer contact reports.

But he admits that it has not been completely smooth sailing - he had not anticipated the initial "underwhelming" response of the sales force to having such a solution introduced.

"We had expectations that the sales people would have had more of a propensity to adds. "The challenge is to help sales reps understand the advantage to themselves because a lot of the benefits, if used well, are advantages to the corporation. While it gives us better customer information, sales reps also gain a clearer view of their progress - and it helps to provide an wider opportunity to coach and monitor the sales team."

Clearly, users of CRM solutions must help their sales teams understand that these systems go far beyond the simple name, addresses and notes databases of traditional contact management applications. They are designed to integrate information about transactions with call centre applications and accounting software.

Norm Francis, president of Pivotal Software, says the company has more than tripled in size in the past 18 months, winning business among large corporate customers and moving into larger offices to support

But many vendors in the industry are attempting to put a new face on old sales force automation technology instead of focusing on building solutions that enable companies to build and sustain *great customer relationships," he believes.

Meanwhile, suppliers gained a large new competitor lastbmonth when IBM announced that it was forming a new software division to service the CRM market.

Geoffrey Wheelwright

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Mark The Control

The hand-held computdemand from both the consumer and business markets has led to more products from more manufacturers, causing some established operators to suffer slower growth.

At the same time, technological advances, which promise smaller, more powerful and more flexible devices, hold out the prospect of lucrative opportunities to innovative and nimble operators.

The situation is reflected in the latest industry figures which show about 2m handheld units shipped last year, a figure forecast to rise by 50 per cent this year and reaching around 8m units by 2001, according to Dataquest, the market research group.

Nothing exemplifies the current state of the market more than the experience of Psion, the world's biggest ers, as the industry standard hand-held computer manu-

Three months ago, the UK group made the latest in a series of gloomy trading statements about the state of the market. It warned that future revenues would be hit by a combination of pricing pressures and competition from products utilising the latest Microsoft CE operating system.

However, rather than fall on the news, Psion's shares more than trebled as the company also revealed the formation of a new venture which would licence Psion's software for a new generation of hand-beld devices.

The new company, Symbian, teams Psion with Ericsson. Nokia and Motorola, which, between them. account for more than three quarters of the world's

mobile phone sales. Symbian intends to develop Psion's EPOC operating system, which is used

The hand-held computing market is in a state of flux. Strong computers become smaller and smarter

The demand for specialist devices will lead to further fragmentation in the market that ranges from pocket organisers and palm-tops to 'smart' mobile phones linked to the Internet, says Christopher Price

to power the company's ing electronic mail from any range of hand-held computfor the new products. These will marry the power of the palm-top computer with the convenience of the mobile

boly grail of both the mobile phone companies and the computer manufacturers. Nokia has already attempted it with the introduction of its 9000 range, combining an ganiser and phone.

Symbian However. believes the focus of the four constituent parties on one operating system will accelerate the development of a wide range of applications.

Analysts say the mobile phone will become "smart", having the ability to send and receive data. It will also be able to download from the Internet, as well as store large amounts of informa- consumer electronics.

location within a cellular transmission area. Early in the new millennium, the elopment of a new high-

of video. Symbian intends to charge a licence fee of \$5 per smart phone and \$10 for other communications devices in a market forecast to be selling 70m units a year by 2002.

However, the Symbian formation has another important ramification. By estab-lishing the industry standard on Psion's EPOC operating system, it mounts a serious threat to Microsoft. The world's biggest soft-

ware group has made no secret of its desire to repeat its success in the personal computer market through the introduction of its Windows CE operating system in

Analysts say Nokia, Erics-Developments in hand- son and Motorola do not held computers will see it want to be subjected to the quickly become wire-free in same kind of pricing presits ability to send and receiv- sures that has been such a

prominent feature of the PC industry, where Microsoft software dominates.

The companies agree. "We do not want to become mere capacity cellular network box shifters for Microsoft," says the director of one of will allow the transmission the mobile phone compa-

In this regard, the three telecoms groups had little alternative but to turn to all developed and used their own operating systems, none had the potential or provided the platform afforded by

Conflict among the suppliers

accelerate the trend of the past two years which has seen the hand-held computer market fragment. This has been due to the market's growing sophistication which has addressed the demands of buyers with dif-

Larger than life: using a replica of a hand-held PC and explaining the merits of Microsoft's CE operating system, Astrid Mai, right, and Christian Schroeder make a presental Psion - addressing the high end of the market, with its information, has not been sophisticated Series 5 comlost on other manufacturers. puter, this has brought it into conflict with the growing number of suppliers with

computers utilising Micro-

soft CE, such as Casio, Hew-

Price has also become an

issue as the high end of the

palm top market has

touched the bottom of the

laptop computer range. With

an increasing number of

products and rising prices.

customer confusion has

added to the manufacturers'

In contrast, the personal

organiser market has been

buoyant and 3Com's Palm

Pilot its chief beneficiary.

problems

lett-Packard and Sharp.

attract similar competition. Microsoft is using its CE platform for its Palm PC, a licensed to several operators. including Casio, Philips and LG Electronics. Meanwhile, rapid techno-

ponents market are likely to accelerate the trend towards smaller, faster and more specialised hand-held comput-

International Business Machines last month will allow battery-operated

The popularity of the device, announced a breakthrough which uses a stylus to input in microchip technology. The US computer group's "silicon on insulator" (SOI) high-speed computing with technology reduces the wireless telephony to create As with the high end of technology reduces the the business, the organiser amount of power that silicon market is beginning to chips need to operate. The development should

contribute to the genesis of a web. The first SOI chips new class of portable could be commercially availnew operating system from devices, according to the Microsoft which has been company. In particular, IBM believes the development of a true pocket-size PC will now be possible.

SOI chips will be 30 ner logical advances in the com- cent more powerful than existing products. Such an increase will accelerate the development of demanding computer applications, such as voice recognition, and the lower power requirements

More power in the palm **and the** pocket

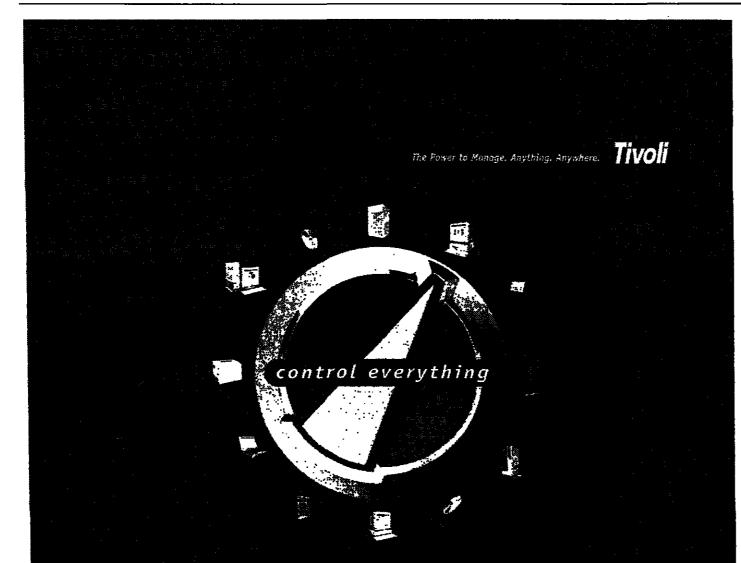
Here and on the following four pages FT writers highlight advances in hand-held computing

devices, such as portable telephones, to run for much

longer.

And in an echo of the Symbian venture, IBM says SOI will open up the possibility of combining pocket machines that link to the Internet, giving access to e-mail and the world wide

able next year. All the new developments point to ever greater integration, both in the computer market, and the communications field. If the edges of the different market segment become ever more blurred, one thing is clear: hand-held computers are set to get smaller, smarter and more





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PERSONAL ORGANISERS . By Joia Shillingford

Spoiled for choice

Even better machines are on the way, with improved screens and keyboards

an you be organised without a personal organiser? Not according to the manufacturers. They have positioned the hand-held devices as portable replacements for the

wake you up in the morning. says Seabrook. Below, we look at handthem. Or whether you should opt for one of these machines at all.

Howard Seabrook, a part of a much broader strat-

He says Microsoft plans to use Windows CE in three

☐ First, the company wants CE to be used in a standard notebook PC is chips) for industrial use. 'Microsoft is very excited about the possibilities," adds

☐ Second, it wants CE to be used in consumer and home products, such as televisions, video recorders, and interactive TVs. In the shorter term, it will be working with Sega to produce a CE. It will also be working on interactive television design with Thomson Multimedia of France in which it has taken a stake.

□ Third, Microsoft is

using CE in personal organisers and this is the area where CE is best known. Philips, Compaq and Sharp.

There is also a Palm-sized design and manufactured by five companies. This has no keyboard: input is via a penshaped stylus and handwrit- short indeed." ing recognition software. "Its (non-CE) PalmPilot, which is and a PC is important in ter screens and keyboards," Mr Seabrook.

same applications. But there machine: communications, matting. screen, keyboard, price, software, security and data synchronisation. If you want to use the

machine to send and receive yet more machines and operelectronic mail or surf the ating systems, says Mr Sea-

with a built-in modem, such like the idea of a CE as one of Compag's models. machine that is built into a Using a modem in conjunc- phone, and some are under tion with an organiser can quickly drain its batteries unless the modem is designed specifically for the

Screens for CE machines Psion, the UK personal vary. The most obvious dif-ference is between colour has licensed its operating and mono screens. "Colour system for use with mobile looks good but you will only get three-and-a-half to four s book, diary, rotary hours' use out of a colour card index. notepad and organiser as opposed to two spreadsheet. They can even or three days with mono,"

Many CE machines, such held and other computers as the Hewlett-Packard and organisers. "If I can't do running Windows CE and Philips ones have a backlit e-mail exactly the same way ask whether there is any-option, which can make as on my PC. I'm not inter-thing to choose between them more readable Philips' ested. I also want a calendar 16 shades of grey in 640 x 240 ify from my office that synpixels.

Other factors to consider: sonal organiser. research director at the check the "feel" of the Gartner Group, says that organiser's keyboard before though we tend to think of you buy. This is one feature CE machine, plus £150 for a Windows CE (a stripped- of organisers that varies a modem, you can't help down version of Windows), lot. Usually, the more pockas an operating system for et-size the machine, the less personal organisers, CE is likely you will be able to touch type on it. If you really plan to do a lot of typing, then a wise choice might be a Toshiba Libretto, a fully fledged PC running Windows 95 but smaller than

ost CE machines come with Micro-soft Pocket Word. Pocket Excel and Pocket link, so no physical cable is Internet Explorer, as well as a contacts database, diary, and mobile. Mr Hawkins international clock, alarm clock and calculator and electropic mail. Some CE machines also offer extra new games console, running software. The Philips Velo 500, for example, includes Windows CE 20. Velo voice memo, a database, and data transfer to PCs and mobile devices via a wireless infrared link.

"For the business user," Mr Seabrook believes, "there the flexible, easily accessible should be effective pass-Makers of CE computers words which make the include Hewlett-Packard, device difficult to get into. "When a device is tamp- on his personal computer. ered with, data should be

more successful because it case an organiser is lost or says Mr Seabrook. "They'll has better software," says damaged. There is some loss be smaller than notebook of functionality when you computers and run CE 2.0 Most of the hand-held CE convert between Windows 95 and Microsoft is 'busy machines look somewhat or 98 and CE. Users will find talking them up'." similar and run many of the they do not have that nifty Excel function they have on offer easier data synchroniare a number of factors to the desktop - or that they've sation and improved perforconsider when choosing a lost some of their Word for mance, though it is up to a

port burden to the IT depart-

development. Non-CE phones are available from Nokia, Alcatel and Philips.

Microsoft's Windows CE phones from Ericsson and Nokia and other portable devices.

Looking at the overall market. Mr Seabrook has not been won over by the bene-Velo 500 machines support that someone else can modchronises easily with a per-

> "When you look at the £200 to £700-plus price of a thinking what else you could buy for the money," adds Mr Seabrook.

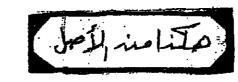
However, converts to CE include Andrew Hawkins. director of corporate finance at Panmure Gordon, who uses his colour Hewlett-Packard 620 organiser for contacts and diary. Excel

ost CE machines est mobile phone from Ericscome with Micro- son that has a built-in modem with an infrared needed between organiser says: "I use e-mail and the I'm travelling. I just press a button, put the phone down beside the CE machine and I'm communicating. It's brilliant."

He also has a (non-CE) credit-card sized device - the Rolodex Rex - that holds his most important contacts. Stockbroker Jim Ross likes CE machine and the compatibility with Excel and Word

"The frustrations are that PC made to a Microsoft protected or erased. But it is slow and that it doesn't once you start to look for have all the spreadsheet good security on an organ-functions I would like," he iser, your short list gets very says. Meanwhile, better machines are on the way. The ease of synchronising "Slightly bigger machines direct rival is 3Com's data between an organiser are coming along, with bet-

> The next release of CE will year away, he adds. "The Companies should also reluctance among users to consider the potential sup- carry around a map in their ment of having to support devices, may be what will champion Windows CE in the end."



PALINTOP APPLICATIONS . By Gaorge Black

converge, along with mobile phone systems



Here and on the FT writers highlight **comput**ing

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More power in the palm and the **Pocket**

latiowing four pages, advances in hand-held

SOT was a settle pag-

(Wast Martin Congress)

ter .

lone devices. The smallest, such as New Action S round and classed as palm-sized computers, as they are small enough to fit into the palm of the hand rather than like most covering the palm.

look seriously at how

palmtop computers could fit

They began as basic organ-

iser devices, mainly for stor-

ing phone numbers and dia-

ries, and have evolved in the

past few years into much

are now designed as compan-

able to synchronise their

being found for them.

The PalmPilot has been the biggest success of the last year. Aimed at users who do not do a lot of data entry, it has dispensed with the conventional keyboard and adopted pen-based input for on their expense and single-key operations. Input is by a shorthand

most hand-writing recogni-

managers are starting to give quick access to a narrow range of functions.

The latest palmtop devices are becoming as useful as notebook computers as portable systems begin to

This simplicity helped the company to reduce the size The palmtop market is of the machine and has been growing rapidly, as the one of the main reasons for devices have become more its success, according to powerful and more uses are Neville Street, general manager for 3Com's Palm Computing subsidiary.

Most of the other manufacturers have been competing with slightly larger machines, many of which broader business tools. Most are now based on Microsoft's palmtops, other than Psion's, Windows CE operating system. In this area, Hewions to personal computers, lett-Packard is the leader.

data with the PC automati- 65 per cent last year,
 according to Dataquest - has cally, rather than as standabeen driven mainly by individual enthusiasts, but increasingly large companies are looking at the possibility of standardising on palmtops for certain sorts of usage. Cost of ownership would be much lower than for notebooks or laptops. IT managers need to take

control of the purchasing because about a third of the palmtops which are bought from retail stores are used by business people and paid accounts.

Companies are beginning learn and more reliable than partly because they believe tion systems, or by a single useful as notebooks and records from smart cards.

I nformation technology touch of four keys which partly because they can see the beginning of converand mobile phones.

IT managers are taking note

The corporate market for palmtops has yet to develop, but somef large UK compa-nies and public sector organisations are engaged in trials, and the vendors are hopeful that some big contracts will soon be signed.

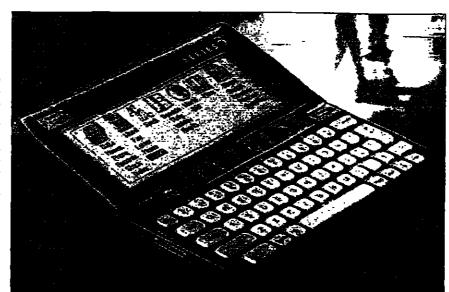
The trials are taking longer than expected because IT managers are wary about investing until they are persuaded that the technology is stable and that they can manage it effectively.

The growth in the market Co-op Bank is trialling Hewlett-Packard palmtops for customers of its Internet banking service. Surrey Police has been

testing Sharp palmtops for access to its intranet, says Sharp's product marketing manager, James Johnston. This could allow police on the move to check criminal records and car ownership.

Retailers are testing ruggedised palmtops as scanning devices for use both in their stores and in their ware- he says. houses.

tial market in the healthcare ton points out that a pharsector. The French health service is testing IBM Worklanguage which is easy to to take palmtops seriously, pads, based on 3Com technology, for hospital doctors the devices are becoming as and nurses to access patient access company data from



Just launched: the new and more powerful Psion 3mx palmtop aims to build on the award-winning

In most cases, palmton devices will complement notebooks rather than replace them, argues Claes Bergstedt, international sales director for Psion. "Palmtops will go everywhere with you, whereas notebooks will not because they are too big and heavy,"

But HP's bandheld busi-There is also a large poten- ness manager Dorothy Col- ate a huge new market. maceuticals company has recently given its executives palmtops to replace notebooks so that they can different offices in their own

switch from notebooks to palmtops seems unlikely. The pattern of usage is very different. Notebooks are typically accessed only once or twice a day, but for long periods; palmtops are accessed 15 to 20 times a day, but usually only for a minute or two.

But palmtops may still cre-There are very many mobile workers - air stewardesses. financial services salespeople, social workers, to name a few - who at present do not use notebooks and ering access to corporate whose employers will not

buildings. However, a mass buy them because of the high cost. For this reason. the vendors say their chief objective must be to persuade people to switch from paper notebooks, not from notebook computers. The limiting factor in the

market is not the price or the usability of devices, but the range of applications available, say the analysts. Vendors have recognised this fact after their products were slow to take off when first introduced a couple of years ago. Since then, they have been working on delivapplications.

move. This could be just Leading database companies such as Oracle and what is needed to persuade Sybase have been tailoring big companies to invest.

their software so that palm top users will be able to gain ☐ The new Psion Series 3mx, access to corporate data pictured above, will sell in the from their machines. Busi-UK at 1270 and offers faster ness applications vendors access to personal informaare starting to do the same. 3Com expects to deliver and 2MBs of memory capable applications such as Lotus of storing 500 pages of A4 text or thousands of addresses, appointments and 'do do lists. The 3mx can also be linked with PC and Apple

Notes. Oracle Financials and SAP R/3 to its palmtops in the next few months. Palmtop users will not be given the same ability to interact with the systems as software titles range from

a desktop user, but they will route planners to expense

be able to extract the data trackers, plus translation and

they need while on the *cames facilities*.

Big success of the year: 3Com's PalmPilot series has dispensed

PALMTOP SALES . By Michael Dempsey

Enthusiastic reception

features.

pharmaceutical companies.

is on cheap palmtop comput-

written a series of question-

nurse goes through the list

of questions using a Palm

Pilot, an ultra-compact palm-

top that relies on handwrit-

ing recognition and sells for

£100 to £300. The Palm Pilot

comes from US Robotics.

Jeremy Cummin, manag-

ing director at Eider, says

"the form factor" of the Pilot

system from US Robotics,

called Palm, and offering an

alternative to Windows CE -

which works under a

now owned by 3Com.

'the form factor' – are key issues for would-be purchasers

"The form factor' – are key issues for would-be purchasers unwieldy, says Mr Cummin, and they like the factor are they like the factor."

rnot Radl has cause

European debut in May. Mr Radl admits that this enthusiastic reception for the product owes more to activities of a rival company than the need for palmtops compatible with the Windows CE operating system. "Psion raised the profile of this market," he says.

The British maker of the Psion organiser has created palmtop computer, particularly in the UK, Germany and France. "People in the US are into

exiremely small gadgets or very large laptops," says Mr Radl, making the corporate market in Europe a top target for his division of Com-Mr Radi has been busy

analysing the sales figure of 10,000 units in one month. He concludes that this is a very different marketplace from Compaq's traditional hunting ground of PC sales to large organisations.

"The insurance industry is emerging as a key market, and what they want are specific solutions, often for small tasks." he adds. Size and total cost of own-

ership come next on the corporate tick-list, Mr Radl observes. "With a laptop at \$2,000, but a palmtop costing \$1,000, you can equip two people for the price of one." The corporate buyer receives more than a cheaper machine, however be gets something so small it doesn't act as a barrier between his sales force and the customer. "In some situations, such as selling financial products, the open cover of a laptop computer is perceived as a barrier between the sales representative and his customer. But the palm-

to smile. The Munich-based European man-discovered a ready market ager for Compan's C-Series for PDAs with linked devices use with one battery. An palmtop has seen 10,000 such as cameras and phones internal project, code-named corporate palmtop users has provoked suppliers into rethinking the physical design of their products. Compaq is toying with a



Gernot Radit 'The insurance sector is an important market'

variety of experimental shapes for computing devices aimed at vertical markets. The physical "look and feel" of the palmtop is now known as a "form factor" in IT industry jargon.

Korea's \$74bu LG Group its interests range from shipbuilding to sporting goods has entered the palmtop market with the £450 Phenom. Unlike more expensive palmtops, the Phenom has a monochrome streen, vastly extending battery life. Matthew Evans, UK assistant product manager with LG's \$19bn electrical goods and electronics arm, says IT managers are being hospital. There's no question attracted to the Phenom by

this basic feature. "Some managers want to top looks more like a pocket replace laptops with a mono palmtop because of longer worried by their condition."

Both Sharp and Ericsson, battery life and lower unit at £100 per unit, it is not a big problem if the unit is lost LG claims up to 15 hours' or damaged. "The Palm Pilot has very

good handwriting recogni-C-Series machines sold in in the insurance loss adjust-the four weeks since its ment market, (see case study, the possibility of allying the very useful for the relationright). But feedback from low cost and weight of a ship between nurse and palmtop with a near fullpatient," he adds. sized keyboard, enlarging A clicking keyboard is one one aspect of the palmtop

"form factor" that can unsettle nervous and uncomfort while keeping key selling able patients. Eider has been developing applications for LG's experience confirms that the user is now driving the Palm Pilot with King's the "form factor" debate. College Hospital in London. Eider Computers, a £500,000 and released a system for Dutch hospitals six months British company, specialises in medical software. It sells ago. "This is the only way we can handle the input of a cancer management sysquality of life data direct tem, Oncology Patient Mangement and Audit System. into Opmas. We've never heen able to do that before." known as Opmas, at prices

he adds. ranging from £25,000 to At Compaq, Mr Radl This sophisticated softbelieves his products may well capture 20 per cent of ware resides on powerful servers at hospitals and in the European market for new palmtops in the next six But its latest manifestation months. But he admits that the actual size of that marers issued to nurses in the ket is open to interpretation UK and Holland. Kider has with different analyst groups placing the number of units that will be sold over the naires for home-bound patients, and the visiting next year in Europe at

between 100,000 and 160,000. With products ranging from a monochrome screen C Series at £425 (\$701) up to a full specification colour machine at £580 (\$957), he thinks Compaq can address the price sensitive nature of this new family of comput-

"Most corporate people want the essence of a computer in their hands, but highly popular operating they are willing to compromise on aspects of the PC, such as power or screen

is a key issue: "There is a Ultimately, choosing a sucneed to collect patient data at home, to find out if the cessful "form factor" comes down to suppliers gambling patient is comfortable. The on the right compromise for Palm Pilot is held by the a vertical sector. Elder's nurse, who e-mails the data experience proves that the to a host computer at the same rules apply to nurses that a very small machine is as to financial services sales teams. This variety of linkless intimidating than a lapages will give birth to more top, especially in medicine applications - and different where patients are already sub-species of palmtop.

Highly portable palmtops help provide rapid links with loss adjusters

nsurance companies do not always enjoy a loving relationship with their clients. Many people making a claim for loss or damages from their insurer expect a

long wait before the cheque arrives. However, Neil Courtney, UK sales and marketing director at Imbach RAG. thinks this is a false image His £4.5m operation is part of a £140m German-owned European company that he describes as a "disaster management company This involves fire and flood registration work on behalf of a client base of some 3.000

loss adjusters in the UK. According to Mr Courtney insurers do not want their clients to sit around waiting for restitution. "They have a quite genuine interest in retaining their customers if a problem occurs and the insurer doesn't respond promptly, the customer will take his business

Technology enters into this equation as a means of accelerating the process of paying up. Imbach RAG has been searching for ways to speed up its own organisation - and palmtop computers from Sharp have emerged as a powerful and practical answer. Mr Courtney's field staff now carry Sharp HC-4000 palmtops with a digital

camera attached. "Where there has been a domestic fire and goods have melted or been damaged by smoke, the palmtops are of real value to us. We can collect information very quickly and provide an accurate quote for the loss

adiuster.' Imbach RAG staff have written up a routine within the Excel spreadsheet that sits on each Sharp palmtop. This allows them to enter a particular type of loss, such as the number of dining room chairs damaged, and compute the cost or restoration based on their extensive experience.

Key role in disaster zones

CASE STUDY: INSURANCE CLAIMS . By Michael Dempsey

When the palmtop is phigged into a GSM mobile phone, the loss adjuster can receive data in less than an hour and then issue instructions, Imbach RAG staff can also assign specialist repair work while

calling in local companies. The digital camera clips to the right side of the palmtop, and allows the investigator to record an accurate picture of the damage to the site and incorporate it into his report. This provides a formal record of the extent of the damage in the event of any dispute between the

they are still on the site.

surer and the customer. "The digital camera sends a little file across to the palmtop, mounting the photo and inserting it in the Excel file. The whole report is then e-mailed to the loss adjusters," says Mr

Courtney. The palmtop and digital

to around £1,000. Mr Courtney adds that the issue of laptop computers was not a viable option for the kind of situation his staff face. In the aftermath of a fire, his investigators must work in a potentially dangerous

camera combination comes

environment - they cannot balance a portable computer while picking their way over broken floorboards. "But the palmtop and digital camera can slip in a coat pocket. Carrying around a lanton computer in this type of work is asking too much of

mbach RAG has 60 staff in the UK, of which around 30 spend time out of the office visiting sites where fire or flood have struck. He thinks the arrival of the palmtop incorporating

the familiar Excel spreadsheet has improved the service he provides. "We look like a better and more professional supplier to our loss adjuster clients." he believes. With between 2.000 and 3,000 disasters to visit every year, his palmtop

This system may be exported to Imbach RAG's 700 staff operating across the rest of Europe. "We have an enormous amount of business in France: the colour palmtop using Windows could be a good route for investigators there.

workforce are kept busy.

The potential of PDAs in this marketplace has been spotted by BT. Its mobile solutions division is selling a package consisting of an Ericsson mobile, linked to a monochrome screen palmtop infra-red docking port.

David Moore, head of BT's mobility solutions division. says his staff are working with Ericsson to put more applications on to MC16 series. BT is marketing the phone/palmtop combination with support at a typical price of £25 per week per unit. "We're not just selling the box and mobile phone airtime," says Mr Moore. "Ericsson and BT are working on software that's highly relevant to particular working environments."



This Starp HC-400 hand-held computer has useful applications in the insurance sector. The computer can be attached to a digital camera to record an accurate picture of damaged areas

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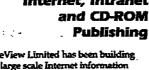
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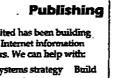
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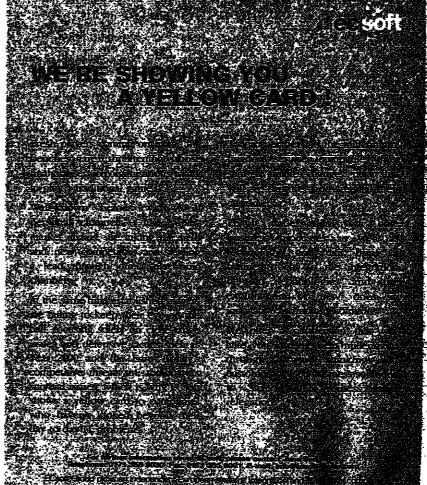


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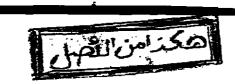


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HAND-HELD COMPUTERS / RESEARCH

SMARTPHONES . By Joia Shillingford

Desirable devices for mobile executives

In the longer term, smartphones may include three-dimensional holographic images of the caller

their tiny liquid crystal displays on all manner of topics from horse racing results to property prices. But if you want to surf the Internet, then their screens are still being, at leas∴

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A new generation of smartphones is on the way with larger screens and the features of a personal organiser. Smartphones such as the Nokia 9000 already exist with organiser and big likely that the new genera-

What is really changing in this area is the onset of standards. Leading mobile phone companies, Ericsson and Nokia, as well as a number of other companies have formed a joint-venture, Symbian, to develop personal operating system for use with mobiles.

Once standard operating applications will be developed for smartphones, mak-Ericsson and Nokia are also

obile phones are working with US company becoming more Unwired Planet on an inter-Like computers, net-browser standard for Information can be sent to mobiles using Unwired Planet's wireless application pro-

tocol (Wap) standard This will enable next-generation phones to browse the Internet easily. Then mobile executives will be able to use too small - for the time a single device to log on to their company's intranet (an in-house "Internet") or book airline tickets or hotels.

Alcatel and Mitsubishi have already built prototype large-screen phones and Nokia has bought Nortel's new smartphone. In the US, screen built in. But it is trials are being carried out of smartphones with Wap tion will weigh less and be browsers. These browsers even more versatile. Internet site. However, software tools

are becoming available which improve the way an Internet web site is displayed when looked at by smartphone users, according to Claude Aulagnon, head of organiser company Psion's telecoms product management at the computer services company, Sema. -One obstacle to Internet

software is in use, more access over mobiles, though, is the low speed of data transmission over cellular ing them more desirable. networks. "It can take up to 30 seconds to connect to the

the UK research group, CAIMI

Once connected, the maximum speed is 9.600 kilobits a second. This is fine for electronic mail, but agonisingly slow for surfing the Internet. The introduction of packet switching protocols over dig-

Mr Aulagnon at Sema says: "Some network operators will be beta testing packet switching [where data is sent as packets) by the end of 1999 and will introduce services about a year later. Speeds of 115-200 kilobits a second will then be available " Ken Blakeslee, vice presi-

improve the situation.

dent of business development at Nortel Wireless Networks expects it to be possible to triple these speeds when the Edge, a software improvement comes along in about 2000. "With third-generation mobile it should be possible to obtain speeds of 384 kilobits a second in around 2002, a bit earlier in Japan," he says. "And instantaneous connection to the Internet or 'wireless webtone' is quite

Even with today's mobile phones, information services can help to differentiate one network operator from

another in a crowded marnected to a personal organ-iser or laptop." says Alex tion services such as updates Nourouzi, a consultant at on average property prices in different areas are not a big revenue generator in themselves, but the facility

helps network operator SmartTone to gain subscrib-Today, these services are transmitted using the Global System for Mobile's (GSM) short message service, which works similarly to text-paging. But these services could

easily be adapted for access

via the Internet. Mr Nourouzi at Ovum says that "with higher data speeds, location-based information services that use **Global Positioning Systems** to pinpoint the user to within 100 metres, could become popular. Users could, for example, look up information on local restau-

rants." Yet he believes mobile data must become easier. "Between 30 and 35 per cent of companies that Ovum surveyed globally have people experimenting with it for services such as electronic mail, fax and file transfer. he adds. "But most people are finding mobile data complex or unreliable when used

from a laptop and mobile." Higher data transmission speeds will also make it possible to introduce videoconferencing over mobiles. Hans

Researchers

examine the

direction of

banking and

electronic

commerce

technologies

set for the US-based

technology group, one

turning NCR into a "thought leader" in the

has moved step closer to

reality over the past two

NCR's London-based

in September 1996 and

technologies that will

Knowledge Lab was set up

change the way consumers

The Knowledge Lab's 15-strong full-time research

group, which comprises

scientists, designers and

Emmott, director, works

closely with partners from

universities from around

the world on a wide-ranging

When we set up the Lab in

inderstand and shape the

Main aim

artists led by Stephen

eading banks and

research programme.

1996, we had a simple

Labs and AT&T's Bell

before joining NCR.

begun an exciting

Laboratories in New Jersey

"Since then, we have

programme of research

which is unique in the

industry in both its scope

and its approach. The Lab

has attracted an incredible

diversity of talents, from

partnering closely with

fulfilling our promise to

relationships banks have

The team is working on

range from revolutionary

new technologies that are

issues such as electronic

commerce and the role of

with their customers."

new ways for banks to

predict the behaviour

research programme.

areas. These are:

☐ Convergence,

intelligent agents,

believe we are truly

revolutionise the

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Rinancial Services



This system - held by Tima Sammaliahti from Finland's Nokia ations company - includes a combination of mobile phone and personal computer that comes complete with internet-access software. The phone opens up to reveal a small keyboard and computer screen, allowing users "on the road" to keen up with e-mail, send faxes and download information from

to introduce videoconferenc- whom you are talking.

FINANCIAL SERVICES: RESEARCH UPDATE

THE KNOWLEDGE LAB . By Paul Taylor

lar network, Orange, plans toe image of the person to

The only problem is that In the longer term, he sees at present, it would only be holographic images of the possible to reproduce the calcaller being beamed up via ler in miniature. "Further mobiles, so you can see a developments will be needed three dimensional head-to- to beam a full-size holo-

token, and its owner.

in the pair by simply

The other token then

anywhere in the world.

A token user calls the

recipient of the other token

for example, clicking on the

calling name in a database.

flashes to indicate that it is

being called. The caller-user

identifies the call with the

calling-user because only

twin tokens can call each

The tokens encapsulate

two key elements of electronic commerce – the

ability to purchase and

graphic 'person' into your living room," says Mr Snook.

soft UK, sees a use for CE (a stripped down version of Way for Windows) on smartphones or personal organisers in cars. "You could carry a handheld device and transmit the information from it into your autoPC via an infrared wireless link," he

product manager at Micro-

The car would know where you were going because it could check the updated diary in the autoPC. It sounds futuristic but Clarion will be selling this product in the US by the end of the year."

Smartphones seem set to catch on. But there is still some debate in the computer and telecoms industry over what device mobile executives really want. Is it a laptop? Is it an organiser? Or is it a phone?

Mr Mistry says it doesn't really matter what you call the device: "We have a number of products in development with partners including a smartphone, the autoPC and larger personal organisers. In Japan, there's even a microwave connected to the Internet that dials up to get spot-on timing for reci-

"Or you can get a little organiser and plug in a voice card. What do you call the organiser then? Because it's now a phone as well."

The truth is that the perfect device is still some years away and, in the short term, smartphones may be just what the executive wants. The only problem is that as slow sales of existing smartphones have shown the perfect smartphone is

capable of storing value and

transactions on a chip, such

as a ring a watch a cufflink

or other personal "tokens".

Once the infrastructure is

in place, these tokens could

then be simply waved over

automated teller machine o

any point-of-sale device.

telephone in order to buy

goods or re-charge with

The Knowledge Lab

working on a revolutionary

patterns of their customers

"The pace of change in

anything, it's going to speed

banking has never been

faster than it is today. If

up over the next decade."

says Mr Emmott. "If's

nartly about technology

with the Internet, the

and other appliances

commerce means that

The Knowledge Lab is

trying to find out what

strategies will succeed,

which technologies will

think of it all," says Mr

"No-one else is doing what we're doing," he says.
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accepted and adopted as an

For further details: the

Lab's web site is at http://

electronic commerce

integral part of our

ncr.knowledgelab.com

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predict the behaviour

using mathematics.

Thomas Baynes.

developed by the Rev

e-money.

19 11 -11

EPIC '98

Dilip Mistry, Windows CE Paving the better government

A UK conference later this month will examine new ways of delivering better government services, using information technology. establishing the government's secure intranet and meeting the 25 per cent electronic service delivery tar-

Organisers of the threeday event in Birmingham hope that government departments in the UK, given the task of delivering on the policies set out in the forthcoming "Better Government" White Paper, will gain fresh insights on how to meet the technological challenges at EPIC 1998 - the European Public Sector Information Systems Conference and Exhibition.

Organised by the UK's Central Computer and Telecommunciations agency (CCTA) and Interactive Information Services, the event will take place at the International Convention Centre, Birmingham from September 30 to October 2.

"Information systems (IS) in support of better government" is the theme of the EPIC 1998 Conference, which aims to help government departments implement the proposed technological changes and develop effective working practices for electronic service delivery.

Expert views

Presentations will be delivered from an expert panel of speakers including keynote addresses Dr Jack Cunningham, the Chancellor of the Duchy of Lancaster: Sir Richard Wilson, cabinet secretary and head of the Civil Service; and David Cooke, director, Central IT Unit, A vision of how public services might be delivered in the future will be revealed in a session entitled "2020 Fore-

sight." hosted by the CCTA. The programme will also case studies on s lar challenges faced by larger organisations both from the public and the private sector, and from overseas. International sessions will include a case study from the US Treasury Department on ways to ease

the skills shortage. Bob Assirati, CCTA's chief executive, who will be delivering the opening address, comments: "It is clear that the soon-to-be-published White Paper will permeate all layers of government. The EPIC 1998 conference will provide the first and the most comprehensive analysis on how the effective use of technology can deliver the

expected policies." The EPIC conference protelevision, the mobile phone gramme was put together following targeted research among senior civil servants. This survey identified sev-But there's much more eral key issues such as Best Value in practice, improving to it than that. Convergence and the growth of electronic staff retention and the intricacies of the government's banks can become retailers secure intranet, that form and vice versa - which the core programme for the means the old rules of how three days.

people did business will no For further details about the event, including delegate fees and accommodation. contact Interactive Information Services, telephone 0181 541 5040; e-mail: softworld@softworld.com: or become possible - "and, of course, what consumers will visit the web site: http:// www.softworld.com/EPIC

> IT in government will be a key theme of the November 4 issue of the FT-IT Review. For more information, see announcement, left.

Airline rolls-out Lotus Notes to 10,000 users

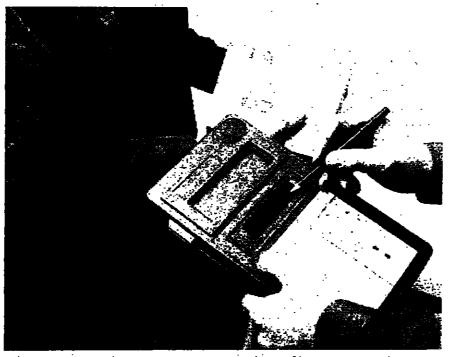
As part of its global IT strategy, British Aiways has delivered Lotus Notes to its 10,000th user throughout the

The electronic mail system forms the backbone of the airline's internal communications and is used in conjunction with Lotus Domino to deliver the company's intranet as well as provide full e-mail facilities to all

Lotus Notes is also used for making room-bookings and travel arrangements for travellers by 2,800 staff working at BA's new Waterside business centre. This UK complex has been built as the airline's focal business centre.

BA plans to have 24,000 users on the system within the next 12 months, says Gordon Jack, general manager of information manage ment at the airline.

or engine in — infrarence alem nyther generate in



Details of

the next

issues of

the FT-IT

Review

three

Industrial portables

☐ Pictured above is the Diad hand-held computer, developed by United Parcel Service (UPS) to capture delivery information electronically by drivers at the point of arrival. Diad stands for "delivery information acquisition device.

D Pictured, left, is the new Husky MP2500, a rugged computer with many out-door industrial applications, suitable even for extreme weather conditions. This computer, costing under £1,000 (\$1,650) evolved from a two-year research project. The shell, made of advanced impactmodified plastic, replaces earlier versions in magnesium alloy, thus reducing the computer's cost.

FT Monthly Review of Information Technology

The networked world

Wednesday, October 7 will include the networked world, together with a special focus on calls centres, plus a new directions section on image creation and manipulation.

□ November: Facing up the euro - implications for IT systems and suppliers will be the main theme for the November 7 issue.

December: Countdown to the year 2000 and the race towards computer compliance is the main theme for our December 3 issue. Other sections will look at IT in smaller offices and the home; plus a section on developments in the educational software industry.

Financial Times Number One. Southwark Bridge. London SE1 9HL

COCHOS Better Decisions Every Day

future of the financial services industry," says Mr Emmott who has a PhD in computational neuroscience from Stirling University. He worked for British Telecom

☐ October: key themes for the next issue of the review on

together with special reports on the IT skills shortage and a focus on the role of IT in government.

☐ For more information: our editorial fax-u-back service is available on 0990 209 903. Callers outside the UK should dial +44 990 209 903 - full details are given on the panel on page 20. For advertising details, please refer to our detailed information panel on page three of this review or write to:

NCR breaks new ground adoption - including bow young and old people will want to bank. □ Computation and

modelling - including on the use of technologies such as Bayesian Inference and Genetic Algorithms in banking.

□ Product and service

mong the challenges delivery - one of the key Lars Nyberg, NCR's areas of focus for The chief executive, has Knowledge Lab is the evolution of new and innovative ways to deliver products and services to consumers through the financial services industry development of so-called "relationship technologies" divided broadly into three areas – personal, public and

Among the most exciting innovations which have already emerged from the charged with developing the Knowledge Lab are the "Virtual Idol" – a web-based soap opera in which an bank and shop in the future. on-screen character called Rei introduces and sells the goods and services she uses as part of her lifestyle. (Rei is an 19-year-old Japanese student living in London who likes shopping, music

> The project is exploring the technological challenges in creating interactive characters on the Internet that have intelligence, and can act as software agent-based (but human-like) financial advisers and

recommendation engines A second team is working on "relationship tokens" chip-enabled plastic tubes that allow businesses and consumers to connect across the phone network to transfer funds or messages from wherever they are.

The tokens come in either pairs or groups of any size. When one (or more) is given, the other is retained by the giver. Each token in, say, a pair is then connected to its twin token and able to communicate with the other

with banking partners electronic money and the ability to communicate and build one to one relationships via an

Electronic money today usually takes the form of a believes e-money will eventually move to contactless technology to be in a standardised redundant.

in any form of token

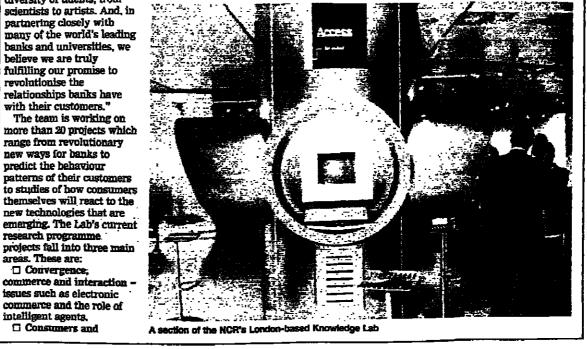


Stephen Emmott works closel

transact electronically using electronic channel.

smartcard, but Mr Emmott and so the need for e-money card-based form will become

Money could then be held



SOFTWARE SUPPLIER VIEWPOINT . Lotus Development Corporation

Rivals show new spirit of co-operation

Having contributed to the complexity could no longer afford to jam of personal productivity software, Lotus is anticipating a return to a simpler approach, says Rod Newing

mature and proprietary sector of the software market. Microsoft Office is per cent. But as their func- anything but streamlined. tionality has grown, they have become so large and complex that both software

This is far more than anybody needs or wants," says Jeff Papows, president and is about to happen in the chief executive of Lotus software suite market. Development Corporation. "Both suites are too big and too bloated and there is a cost associated with all of this insanity," he says.

"A four-column two-colour document with 13 pieces of native default file structure. clip art is counter-unproductive, yet that is what we have built for people. There are tens of millions of 'person hours' wasted every

Change is overdue

The average user probably uses no more than 20 per cent of the functionality most of the time, he adds. "It is a 15-year-old \$5bn market and we have so much inherent complexity that maybe it is time for change," suggests Mr things very differently to my

"You can't cling to the old innovating in a way that rec-

Continued from Page One:

tain its core competency

manufacturer, as an example

The group spent £1.86bn in

1997 on R&D - a 39 per cent

increase on the year before

and three times more than

in 1992. In 1977, its core radio

RESEARCH AND DEVELOPMENT

ffice productivity reates that market – and suites are the most this one is overdue."

He believes that the IT industry tends to start off with a very elegant solution the market leader with 72 to a simple problem and per cent unit share, against then develops it to the point Lotus SmartSuite with 22 it is so complex that it is

When the solution is no longer practical, the industry retreats to simplicity and suites require 130 megabytes starts again, which hap-of storage space. starts again, which hap-pened when client/server computing moved to Web computing. It is cyclical and

The most immediate change is the adoption of hypertext markup language (HTML), the standard for formatting documents on the World Wide Web, as an alter-

This facility would allow users to store all their documents in a standard format. instead of the proprietary formats currently used. which frequently change with each successive version of the application. Lotus has incorporated this change in its latest version of Smart-Suite and Microsoft will be using it in the next release of Office.

Mr Papows sees this change as a result of a new spirit of co-operation with its old rival, Microsoft. "I have been working very hard for the last two years to do predecessors," he says.

"Lotus and Microsoft models forever, however needed a much more pragprofitable, without someone matic and reasonable work-

SKr77bn investment pro-

gramme which ensured that

Ericsson became recognised

as a world class supplier of

The value that Ericsson

For details of forthcoming issues of the FT Review of Information Technology, UK callers may use the FT-IT Fax-U-Back Service. Details include editorial synopses of future issues and writers for various themes. The next issue of the review will be published on Wednesday, October 7th. For details, see announcement on page 19.

Technical note: Make sure your far is in polling mode, if you have a handset on your fax

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our customers in the middle of our respective 'food fights', which both sides have done pretty well for a number of years! It is part of the industry growing up - or maybe the management is

growing up a little bit?" He has been working with Bill Gates, chief executive officer of Microsoft, on various practical aspects "that really benefit users, such as co-authoring a standard for calendaring and schedu-

The adoption of HTML is

The man at the top of Lotus Development Corporation

Jeff Panows became president of the company in October, 1996, having been chief operating officer of the company since October, 1995. He joined Latus in 1993 from Cognos, where he was president and chief executive for more than three years. Previously, Mr Papows held senior management positions with Cullinet Software, Software international and Para

About Lotus: the company was founded in 1982, and is a subsidiary of IBM. Lotus products allow computer users to access and communicate information both within and beyond organisational

its products are sold in more than 80 countries, along with consulting, support and educational services through the Lotus Services Group.

R&D to develop and main 550 per cent, supported by an SKr12bn in 1992 - a 35-fold says Craig Barratt, Intel's the R&D Scoreboard.

A similar case could be

made for Intel, the world's

largest chipmaker, which

will spend about \$2.8bn on

research and development

increase in

Galley.

of a company that has used 1992, sales have grown by SKr420bn, compared with to increase R&D spend."

the next large-scale example of this kind of pragmatism and will help people to share The average size of an

electronic mail message has gone up eight times in the last two years, because of the plethora of attachments, including word processor documents, spreadsheets and slide presentations.

"The problem is, you don't just need the same vendor's application to read the attachments, but the same version," he admits.

"Going to HTML format solves a lot of that problem. although it won't be perfect in the first iteration. It will get better with each successive version and it is a huge step in the right direction."

Both Microsoft and Lotus have already given users the option to save or publish individual documents in HTML, although most people store documents in the proprietary formats. By making HTML an automatic choice, what is already possible will become ubiquitous.

The adoption of the HTML electronic document format will have far-reaching implications for a suite of software designed to produce paper documents. The industry has long talked of the solution being to produce smaller software compoattempts have so far been

In anticipation, Lotus has developed "e-Suite", a new alternative that provides only the 20 per cent of functionality that is used 80 per cent of the time, eliminating a lot of the complexity.

It also uses a client/server architecture to make it more

The importance of innovation management

chief executive

Meanwhile, Cisco, the

leading US networking

equipment company which

has been riding the Internet

and e-commerce wave, dou-

bled its R&D spend to \$1.2bn

last year. Three years ear-

lier, the group, which has

developed a rapacious appe-

tite for technology-based

acquisitions, spent just

Indeed, there is a growing

recognition among investors

of the link between R&D

investment and long-term

growth. And this in turn has

been reflected in the share

price performance of those

companies that have mas-

value from R&D spending.

tered the art of extracting

As the pace of global com-

petition quickens, it will be

crucial to face the challenges

of the future using innova-



Jaff Papows recognises that Lotus and and its old rival. Microsoft needed a much more pragmatic Illustration by Walter Hayn onable working relationship

programming language of the internet, which means that it provides building nents, although early blocks for larger applications at the same time as office productivity.

Although it is now only available for network computers, a PC version will be available by the end of 1998. The big problem for Lotus and Microsoft is that e-Suite sells for \$29, compared with \$300 for the current suites. In addition, it is much

keting and customer strat-

innovation management."

report on page 19

Search for innovative IT teams

Nominations are now being sought by the British Computer Society

for the annual information Systems Management Award. This award

recognises achievement, improvement and innovation in

is managment and its impact on business performance.

To enter, see page 14 of this review for full details

."It is early days and it remains to be seen if it will pay-off," says Mr Papows. "However, it is instinctively the right thing to do from an architectural standpoint.

We have to have enough conviction to innovate and change the dynamics of the market, whatever the short term implications are.

"If we don't, the user community will rightly look for other solutions." Mr Papows points out that Microsoft has not announced

Office suite, so it is pushed too far into a corner.' The suite market has become so convoluted "that there has to be a change," he concludes.

margin on sales was from its

"It remains to be seen how

it will all work out, but it won't happen overnight and it won't change dramatically. However, at the end of the day, suites are still too big and too complex, so they must become more produca similar solution: "Eighty



Competition entries at record level

Hum up to sure

With portain

traffic turing

Entries for the 1998 Financial Times "Business Web Site of the Year" competition are more than 50 percent up on last year.

More than 120 enterprises from around the world have put their sites forward as having met key business objectives and judging will now take place this month.

The competition, which is sponsored by UUNET UK the leading provider of Internet services to British business and a WorldCom com-pany, was launched last

"It immediately attracted a rewardingly high standard of entries, but first impressions this year show this has been amply exceeded in says Richard Woods of UUNET UK.

The Financial Times and UUNET established the competition to focus on the commercial benefits of web sites. rather than their pure graphic or design qualities.

Benefits

"What will once again impress the judges when they review the sites will be how the technology is being used to provided true benefits to the enterprise," adds Mr Woods.

"It is encouraging to see that most of the organisanising the benefits and potential of the web, and truly investing in the planning, implementation, and maintenance of their sites," he says. Sample entries range from international groups to smaller companies all aiming to use the web to help expand their business and reach potential cus-

There are also recruiting companies and office suppli ers for whom e-business o commercial value in the widest sense, rather than the simple process of exchange in ing goods for fiscal credit. Entries closed at the end of 🚉 🤈 July and the judges will 🚋 🦡 semble later this month.

Entrants will be judged on their ability to demonstrate business transformation. innovations and measurable benefits using web technol-

The London awards ceremony will take place at the end of November. Winners will be chosen from each of the categories to find an overall winner of the "FT Business Web Site of 1998 award.

□ For information about last year's competition, vistt the web site at: http:// www.uk.uu.net/events

ft1998/winners/ Alternatively, contact Richard Woods, UK public relations manager, UUNET UK in Cambridge. ☐ E-mail: Richard.Woods @uk.uu.net.

☐ Tel: +44(0)1223 250100.



Bill Gates, chairman of Microsoft, the world's largest softy group, meets Professor Stephen Hawking on a visit to Cambridge University, last October. Microsoft is giving £50m for a comput research centre to be based in Cambridge. Mr Gates is also giving a personal gift of £12m to the university.

Hold the front page

[voice+data for The Mirror Group]

You may see it as 42 pages of newsprint. Others see it as a digital file to be sent to print overnight, ready for the nation's breakfast tables. So when the Mirror Group looked for a telecoms supplier, it demanded the last word in service and reliability.

It needed a twin ATM network for absolute resilience and extra bandwidth when needed. A network that transmits completed pages to print by night, but operates as a corporate network by day. And it wanted it all at a competitive price.

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